

City of Southfield, Michigan

**Comprehensive
Annual Financial Report
For The Fiscal Year Ended
June 30, 2005**

**Fiscal Services Division
Accounting Department**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Southfield, Michigan	County Oakland
Fiscal Year End June 30, 2005	Opinion Date May 5, 2006	Date Audit Report Submitted to State July 6, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	To be forwarded.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PricewaterhouseCoopers, LLP		Telephone Number (313) 394-6000	
Street Address 1900 Saint Antoine Street		City Detroit	State MI
		Zip 48226	
Auditing CPA Signature <i>PricewaterhouseCoopers LLP</i>		Printed Name Darrell Burks	License Number 1101021602

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City of Southfield

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December 31, 2005

Honorable Mayor and Council
Municipal Building
Southfield, Michigan

RE: 2004-05 COMPREHENSIVE ANNUAL FINANCIAL REPORT LETTER OF TRANSMITTAL

Dear Sirs and Mesdames:

The Comprehensive Annual Financial Report of the City of Southfield, Michigan, for the fiscal year ended June 30, 2005, is submitted herewith, in accordance with provisions of the Southfield City Charter and the laws of the State of Michigan. This report, prepared by the City's Financial Services staff, represents the official report of the City's financial operations and condition to the City's residents, elected officials, investment firms, rating agencies and other interested parties. It is in conformance with the requirements of GASB 34, which represent the most sweeping changes in the 20-year history of the Governmental Accounting Standards Board. Responsibility for the accuracy, completeness and fairness of the financial data herein, including all disclosures, rests with the City. The annual audit of the City of Southfield financial statements was conducted by the independent accounting firm of PricewaterhouseCoopers LLP.

This report also includes a separate section on Component Units, as required by Statement Number 14 of the Government Accounting Standards Board (GASB), (see pages 52, 53 and 140-143). Component units are included because of the significance of their operational or financial relationships with the City. The component unit columns in the combined financial statements include the financial data of the City's six component units. These units are reported in a separate column to emphasize that they are legally separate from the City. They include the Local Development Finance Authority, the Tax Increment Finance Authority, the Economic Development Corporation, Downtown Development Authority, Brownfield Redevelopment Authority and the Non-Profit Housing Authority. Descriptions of each component unit appear in Note "1" on pages 56 - 63 of this report.

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial and Statistical. The introductory section, which is un-audited, includes this letter of transmittal, an organizational chart and a list of the City of Southfield's principal elected and appointed officials. The financial section, which is audited, includes the Management Discussion and Analysis, basic financial statements and the combining and individual fund statements and schedules. The statistical section, which is un-audited, includes selected financial and demographic information, generally presented on a multi-year basis.

Mayor
Brenda L. Lawrence

Council President
Sylvia Jordan

City Clerk
Nancy L. M. Banks

City Treasurer
Irv M. Lowenberg

City Administrator
Dale E. Iman

City Council
Donald F. Fracassi

Myron A. Frasier

Sidney Lantz

William Lattimore

Joan Seymour

Kenson J. Siver

City of Southfield

Letter of Transmittal

The enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and the results of operations of various funds of the City. This letter should be read in conjunction with the Management's Discussion and Analysis. Included are disclosures necessary to enable the reader to gain an understanding of the City's financial activities.

The City of Southfield is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Circular A-133, *Audits of State and Local Governments*. The single audit report includes independent auditor review and comments on internal controls, legal/regulatory compliance, and any findings of questioned costs.

SOUTHFIELD - Municipal Overview

The City of Southfield has continued to experience substantial growth and progress since its incorporation on April 28, 1958. Southfield offers the best of Michigan and the Midwest - an international center of business and commerce close to quaint, tree-lined neighborhoods.

Located in the heart of southeastern Michigan, with easy access to most major Detroit-area expressways, *Southfield - The Center of It All™*, offers both a cosmopolitan, culturally diverse residential population of 78,000 residents and a thriving international business community. Situated in Oakland County, Southfield offers a complete living community, featuring a nationally recognized public school system, eight universities and more than 700 acres of park land. With a daytime population nearing 175,000, and nearly 26 million square feet of office space, Southfield is Michigan's undisputed business center. Residents and businesses alike come to Southfield for its central location and easy access to all of southeastern Michigan.

Southfield is a model of multiculturalism. Its residential and business populations reflect the world's diversity. Residents and businesses celebrate the rich tapestry of cultural, religious and racial heritage in the community. Southfield provides excellent quality of life; preeminent City services; central location; diverse and affordable housing, with neighborhoods ranging from urban town homes to pastoral country sides.

Southfield's business community dates back to the mid-1950s. Corporations seeking spacious suburban offices were attracted to Southfield, and within a half-decade, dozens of high-profile firms called Southfield home. Growth was spurred by the nation's first regional shopping center, Northland Center, which opened in Southfield in 1954; yet today, it remains a major retail center. City leaders showed considerable foresight over the years, in creating a high-visibility business community along major roadways, with neighborhoods strategically tucked into adjacent acreage and subdivisions.

Southfield is operated under a Council/Administrator form of government. The seven-member City Council is elected at two-year intervals on a non-partisan ballot; the three highest vote-getters receive four-year terms and the fourth serves a two-year term. The Council President, who presides over meetings, is elected by Council colleagues. Special Council committees review and make policy recommendations on finance, zoning, transportation, state legislation, appointments and other key issues.

The Mayor, elected to a four-year term on a non-partisan ballot, has veto power over Council actions but does not vote on legislative matters. A two-thirds Council majority vote is needed to override a Mayoral veto. The Mayor also appoints the City Attorney, City Assessor, City Planner and Emergency Management Director, with appointment confirmation by City Council.

City of Southfield

Letter of Transmittal

Also elected to four-year terms, the City Clerk and City Treasurer serve in full-time capacities. The City Administrator, appointed by and reporting directly to City Council, serves as chief administrative officer and oversees daily operations and policy implementation.

The City's elected and administrative officials hold memberships in a wide range of professional organizations, including the National League of Cities, Michigan Municipal League, International City/County Management Association, Municipal Clerks Association, Municipal Treasurers Association and Government Finance Officers Association. Management also holds leadership positions or participates in numerous professional organizations, including the International Building Owners and Code Administrators, National Associations of Telecommunication Officers and Advisors, Public Relations Society of America, City-County Communications & Marketing Association and the International Association of Assessing Officers.

Southfield is served by many long-tenured elected officials and administrative staff. A new Mayor was elected for the first time in 29 years in 2001; the City Treasurer retired in 2005 after 35 years of service with the City; and the Director of Public Works also retired in 2005 after more than 33 years of service to the community. Council members average more than 10 years of service.

The City's Exempt Service Staff consists of management group employees selected by authorized elected or appointed officials. These positions are executive level, in general, and not part of the civil service system. The Mayor and Council utilize the annual budget process to review salary ranges for exempt personnel. Other City employment classifications are reviewed either through collective bargaining or the Civil Service Commission.

Attracting and retaining highly qualified management personnel is among the City's ongoing objectives. The average tenure of the City's management groups is more than 20 years, providing notable stability and leadership for City operations. Within the group, 22 have BA or BS degrees and 18 have MA, MS, MPA, MBA, MUP or JD degrees. Many others have achieved professional certification in their respective fields (professional engineer, etc.). In addition, many have earned special recognition through election to state or national association offices, as instructors for professional seminars, or as guest lecturers at universities.

Now celebrating its 47th year as an incorporated city, Southfield has matured into one of Michigan's most dynamic communities. As a result of its position as Michigan's office and high-tech capital, Southfield's 26 million square feet of office/commercial space is home to approximately 9000 businesses, including more than 80 "Fortune 500" companies and 350-plus high-tech firms, more than any other Michigan city. Southfield also boasts more than seven million square feet of retail and industrial/high-tech space. With more office space than the downtowns of Cleveland, Cincinnati, Detroit, Indianapolis or Kansas City, Southfield is recognized as a regional business hub.

Residents have 92 homeowners groups and 37 condominium associations representing their interests. The community offers 18,375 single-family homes and over 19,000 multi-family apartments and townhouses. Within Southfield's 26.7 square miles, residential zoning comprises 64% of land use, yet approximately two-thirds of the community's tax revenues are generated from business properties. Though considered nearly fully developed, Southfield continues to both grow and redevelop to meet the community's ever-changing needs. In 2004, the Southfield Building Department issued 1,368 building permits, valued at \$78.2 million; and 565 permits, valued at \$34.8 million in the first six months of 2005.

City of Southfield

Letter of Transmittal

With 15% of the metro area's speculative office space, Southfield remains the largest submarket in metro Detroit. Intersected by I-696, US 10, US 24, M-39, M-10 and many other major highways, Southfield is centrally located for convenient access to businesses, their customers and suppliers. Its central location also places it 20 minutes away from Detroit Metropolitan Airport and downtown Detroit, as well as most other metro-area communities. As home to 25% of all Oakland County's businesses, 25% of its international firms and 50% of its Japanese firms, Southfield is an important international business community.

The City of Southfield is the original home of Automation Alley SmartZone™, one of the first State-designated high-tech and information technology clusters. Created by the Michigan Legislature and Michigan Economic Development Corporation (MEDC), the Great Lakes Interchange SmartZone will help build on Michigan's reputation as one of the nation's leading technology states. The Great Lakes Interchange provides a centrally located site where technology-based firms, entrepreneurs and researchers can work in close proximity to a wealth of community assets. With a host of companies that are established on both a national and global scale, the Great Lakes Interchange region is ranked third in the nation for the number of technology companies and fourth in total employment in high-tech industries. Lawrence Technological University, Oakland University, Oakland County and Automation Alley are the original partners with Southfield in the SmartZone. In 2003, the cities of Rochester Hills and Troy were admitted as partners, further strengthening efforts to develop a recognized national brand for the Automation Alley technology cluster. Southfield wrote the initial SmartZone application enabling the region's designation as one of the state's 11 SmartZones to promote high technology business development and job creation in the region.

More than 350 high-tech/info-tech, telecommunications and life sciences firms have a corporate presence in Southfield. An impressive 98% of the City is accessible to high-speed fiber optics, broadband and satellite service, and several backbones traverse the community. Strategically positioned to capture both high-tech workers and firms, Southfield is assisted by Michigan's #4 national ranking in high-tech work forces and Oakland County's #3 ranking in high-tech companies nationally, making it a particularly attractive choice for businesses seeking highly-qualified workers.

Major telecommunications firms appreciate Southfield's extensive high-speed Internet infrastructure, access to a footprint of citywide fiber optics and central location. More than 30 telecommunications firms are represented in Southfield, including SBC/AT&T, Verizon, Sprint, LDMI, Level 3 Communications, and MCI. More than 90 software development companies also have a presence in Southfield, including the industry's largest: IBM, Microsoft, Sun Microsystems, Cisco Systems, Peoplesoft and many others.

Other key high-tech industries represented in Southfield are electronic media and satellite facilities, including Hughes Satellite; national affiliates ABC, CBS, FOX, WB Network, United Paramount Network and PAX; and Infinity Broadcasting, parent company of five metro-area radio stations. Health sciences also abound in Southfield, including Blue Care Network, Blue Cross/Blue Shield of Michigan, Housey Pharmaceuticals, Lumigen and several others.

Research and development firms also find Southfield a particularly attractive location, including Lear Corporation, Denso International, BASF, GE, Honda Research and Development America, Eaton Corporation, Sverdrup Technologies, Panasonic Automotive Electronics, Autoliv Electronics - North America, Peterson Spring and many others.

City of Southfield

Letter of Transmittal

Lear Corporation has grown to be one of the world's largest automotive suppliers and has called Southfield home since 1967. Lear is nearing completion of a \$70.8 million expansion of their world headquarters campus. The expansion is expected to bring an anticipated 200 new jobs to Southfield. Construction began in the fall of 2004 and is expected to be completed in the first quarter of 2006. Lear purchased seven businesses near their headquarters along Telegraph Road between Eight and Nine Mile Roads to enable the expansion project that includes construction of an additional 106,000-square-foot, three-story building. The company is also planning major landscaping improvements along with an additional 1,400 parking spaces to better reflect its status as one of the world's leading suppliers of automotive interiors.

Despite a soft economy, Southfield continues to attract new development. Comcast Cable recently purchased the former Southfield Manor with plans to build an additional 25,000-square-foot office building and technical center. SBC/AT&T Communications is another corporation that has continued to invest in Southfield. SBC recently announced plans to spend \$3.6 million to upgrade network centers in Southfield and Detroit. The plan will keep over 900 jobs in the metro area.

General Electric also recently re-invested in Southfield, signing a long-term lease for 57,000 square feet of office space in the 2 Town Square Building. GE moved over 200 employees from the company's former Telegraph facility to their new Town Square location. Financial services firm Randall James & Associates has taken over GE's former Telegraph building near Civic Center Drive. A leading U.S. financial services firm, Randall James & Associates located their regional operations center in Southfield to create a national backup center for their Florida-based headquarters. The expansion has created over 100 new jobs in the City.

A new Target store is being constructed on Southfield Road between 12 & 13 Mile Roads. The 126,000 square foot store will be developed on 11 acres at the former CMI Health Club site. The new Target will not only add another convenient new retailer to Southfield, but also more than 200 new jobs. The store will join several other exciting new projects in the area, including a \$60 million new housing development across the street. Best Buy will be moving to the vacant Media Play site in the Tel-Twelve Shopping Center with plans for an additional new 44,620 square feet. Three new restaurants will open in front of the former Wickes Building in the City Centre along Evergreen: Chipotle's, Pot Belly Sandwiches and The Coffee Shoppe.

An essential component of the City's vitality is its attractive, diverse and affordable housing. Southfield continues to attract new residential development, with a number of single-family and multi-family homes approved or under construction since 2004. New residential development approved, under construction or completed in the 2004-05 fiscal year include: the new Townhome Condo's under constructions at 12 Mile & Pebble Creek (23 units); the new Lochmoor Site Condos at 10 Mile west of Lahser; the O'Rourke's Subdivision, being constructed at Pierce & Webster; and the final phases of condo development within Tyler Estates and Pebble Creek in the 12 Mile & Pebble Creek area. Centex Homes of Dallas, Texas plans to turn the former Southfield Downs Trailer Park on Southfield Road into a residential community of more than 50 houses and 170 condominiums. These dynamic new projects will greatly improve the immediate area and the City as a whole.

One of the largest new projects underway is the mixed-use development worth over \$220 million at 10 Mile and Northwestern. Still in the planning stage, the proposed project will include an 11-story residential complex comprised of 350 high-end condominiums. The plan also includes 90,000 square feet of retail space as well as a freestanding restaurant. Ample parking, attractive outdoor spaces, a clubhouse and an indoor pool are also planned. Each condo will list in the \$200,000s and up.

City of Southfield

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In the Cornerstone District, the Cornerstone Development Authority (CDA) has experienced tremendous success with condominium conversion. The North Park Place apartments were recently purchased and converted into condos with average sale prices in the \$140s. The Eagle's Landing apartments were also recently sold to a developer who has already begun renovations to the north tower for a condominium conversion. This project has provided much needed new life to this once-challenged property.

The Greenfield Road face lift continues to receive finishing touches, including new landscaping of all the medians of the newly-reconstructed road, all the way from Eight Mile Road to Providence Drive. Future landscape plans include a similar project planned for 3 major roads in the Cornerstone District. The \$400,000 estimated project cost includes Nine Mile Road, Providence, and J.L. Hudson Drive. Also in the district, Providence Hospital continues to be a world-class institution as southeast Michigan's only National Top 100 Heart Hospital for 5 years running.

On May 18, 2005, Southfield sold \$12.5 million of Michigan Transportation Fund Bonds for two essential purposes. The largest portion, \$9 million, will finance a variety of reconstruction projects to be spread over a two-year period to improve the functionality and appearance of the City's major street system. The remaining \$3.5 million will be earmarked for the long awaited I-696/Franklin Interchange project. The City was recently awarded \$4.6 million in federal highway transportation funds for this purpose, culminating a lengthy and complex planning/funding process. Significant economic, safety and logistical benefits will be realized. The interchange will relieve congestion and improve emergency access. Further, it will provide convenient access to the City's new SmartZone and the American Commerce Center Park, enhancing the development and redevelopment potential of this key area of the City. Construction is expected to begin in the spring of 2006.

Southfield continues to preserve and protect woodlands and wetlands with 58 new acres set aside for preservation. The acquisition of Carpenter Lake enabled the \$3.5 million Carpenter Lake Restoration Project. The City will make recreational site improvements, including reconstructing the existing dam and dredging the lake to restore it to its original size. Phase I of the plan to improve this important habitat began in June of 2005. The City also acquired the 16-acre Berberian property, funded entirely by outside sources (State, Community Foundation of Michigan, Oakland Land Conservancy), to develop the Valley Woods Trail from 10 to 11 Mile along Rouge River.

Curb appeal is important in maintaining the City's image and character; to that end, Public Works undertook several initiatives to ensure the City's streets, sidewalks, neighborhoods and business districts remain safe, clean and appealing. Initiatives included the continuation of programs for snow and ice removal, mowing and sweeping of three County roads: Lahser, 10 Mile and 12 Mile Roads; an extra sweep through residential streets; increased right-of-way mowing; and cleaning of ramps and side slope mowing during freeway road closures.

Beautification efforts are further strengthened through the Neighborhood Entranceway Marker Program administered through the City's Neighborhood and Information Center, a division of the Community Relations Department. In 2004, 17 entranceway projects were funded to improve neighborhood entranceway signs and landscaping based on a dollar-to-dollar match. Additionally, 45 individual homeowners, neighborhood and condo associations, and public buildings were recognized for outstanding overall appearance and landscaping through the City's annual Community Pride Awards program.

The Southfield city government continues to grow and redevelop to meet the ever-changing needs of the community. Some of the new initiatives that have been passed by City Council include: the new Strategic Plan 2005-2010, a five-year plan designed to preserve and ensure the City's financial strength for the long

City of Southfield

Letter of Transmittal

haul. As part of the plan, the City adopted a two-tier compensation program for newly-hired employees that will position the City for future benefit savings. The Fire Department also began providing emergency medical transport as a new service to the community as well as an additional revenue source.

Southfield continues to adhere to the highest standards of service to the community, including strong emphasis on fiscal responsibility. The City has continued to maintain its AA+ bond rating, placing Southfield in the top 3.5% of the more than 450 public agencies within the State of Michigan currently rated by Standard & Poors. The City of Southfield is a multiple-year recipient of the Government Finance Officers Award for Excellence in Financial Reporting.

Southfield remains safe and secure as a result of the dedicated, highly-trained and well equipped members of our award-winning "9-1-1" police, fire and emergency management departments. The police department continues to be a trend setter by developing effective community policing programs designed to augment traditional police activities. The department recently launched 'Operation GOT M' in conjunction with homeowner's associations to better address community nuisance complaints. The fire department's Life Support Unit (LSU), the City's emergency medical service, offers a response of four minutes or less – one of the fastest in the country. The City of Southfield became Michigan's first "heart safe" city by installing heart defibrillators in all municipal buildings as well as major office buildings and entertainment venues throughout the community. The newly-remodeled and expanded Fire Station #4 was recently re-dedicated to provide improved service west of Telegraph & 12 Mile, a growing part of the City. The expanded station reflects Southfield's commitment to provide and maintain a high level of public safety to all areas of the City. To that end, the City of Southfield is one of only 20 communities in the State of Michigan that provides residents with a designated Emergency Management Division. The division is concerned with planning and preparing for potential disasters before they occur and coordinating efforts during actual disasters. The Emergency Management division has applied for and secured over \$600,000 in federal grants to better prepare and safe-guard Southfield. In keeping with the City's commitment to public safety and security, \$36.6 million, or 56% of the 2004-05 fiscal year budget, was earmarked for public safety activities.

The City's Department of Parks and Recreation offers more than 1,000 high-quality programs and services to both residents and business people of all ages and interests. Southfield highlighted the arts in June of 2004 with the return of the V98.7 Smooth JazzFest on the front lawn of the municipal complex. The event was a huge success, drawing thousands of visitors from across the metro area. The Parks and Recreation department continues to offer exciting new programs and community partnerships, such as the 100 Days to Health campaign. A partnership with Providence Hospital, the initiative promotes healthy living and lifestyles through health education classes, programs and activities. Youth programs were also expanded to include programs for individuals with disabilities, specifically the Michigan Thunderbird wheelchair basketball program and the Mighty Oaks sports program.

The Miracle League of Michigan completed construction in 2004 of a Miracle League baseball field on the grounds of the Southfield Municipal Complex. The league is a non-profit organization determined to give every child with mental and physical disabilities the chance to play baseball. Many sponsors helped to offset the estimated \$535,000 in construction costs. The Miracle League gives every child the chance to be part of a team and enjoy the all-American game of baseball. The custom-designed venue incorporates a cushioned synthetic turf that accommodates wheelchairs and other walking devices while helping to prevent injuries. During each Miracle League game, every child is given an opportunity to hit the ball and score a run. The field is the first of its kind in the area and it will serve children throughout the entire state of Michigan.

City of Southfield

Letter of Transmittal

The new Southfield Public Library has truly exceeded all expectations, with top-notch amenities and ample public meeting spaces. The Southfield Public Library is a state-of-the-art facility that averages over 2,500 visitors every day. Its many amenities include an expanded 180,000 book collection; two computer labs; sophisticated computer network with hundreds of data drops; meeting rooms, two auditoriums; 16 group study rooms; three outdoor terraces; fireplaces on each level; the Bookends Café; and stunning architectural and interior design. The library has already received numerous regional and national awards for its innovative architecture, programs and services.

The library offers over 20 computer classes every month, ranging from Computer Fundamentals to Microsoft Word II for people at all levels of computer literacy. As more residents visit the library, so to has participation in library programs increased. The library's annual Battle of the Books program continues to be very popular, with over 650 students participating in 2005. Several other library programs such as the Jazz and Blues series, the Family Dinner Theaters, and the Local Author Book Fairs continue to be very successful.

The City continues to keep the community apprised of the latest news and information through a comprehensive Web site, city cable channel, and detailed publications and newsletters. The Southfield City Cable Channel 15 continues to provide the community with high-quality cable programming and coverage of local events. The City's 2005 Annual Report/Calendar won first place in the Michigan Municipal League's 22nd annual Achievement Awards. The calendar won in the category of 'Superior Delivery of Service' in the cities with population range of 25,001 and above.

Southfield remains a model of multiculturalism. As home to large concentrations of Chaldean (Catholic Iraqi), African-American, Jewish, Armenian, Russian Orthodox and Korean residents, Southfield is truly one of the most diverse communities in Michigan. Its large international business population, including significant numbers of Asian, Middle Eastern, African and European businesses, helps position it as a cosmopolitan center. Japanese businesses are prominent in the community, over 50 in total, including the North American headquarters of Denso International, Toyota Industries, Panasonic Automotive Electronics, Mitsubishi International and Mitsui & Co., among others. Southfield is also the corporate home of Wagon Engineering, an English-based division of Wagon Automotive; as well as Autoliv Electronics America, a Swedish corporation; and ThyssenKrupp, a German steel conglomerate.

Southfield's many diverse cultures are supported by educational institutions, chambers of commerce, foreign trade offices and others, including Language Center International, American Academy of International Education, Dr. Martin Luther King, Jr. Task Force Committee, Focus on American and Arab Interests & Relations, French American Chamber of Commerce, Michigan Hispanic Chamber of Commerce, Philippine American Community, Korea Trade Center, Japan Business Society of Detroit and Trade Commission of Mexico. Southfield's elected leadership is equally diverse and helps assure Southfield remains a nationally-recognized multicultural model.

An international city bustling with people from a rich array of cultural, ethnic and religious backgrounds, Southfield's most recognizable landmarks include the gold-domed St. John's Armenian Church and the striking Congregation Shaarey Zedek, among the most beautiful examples of religious architecture in Michigan. The distinctive gold and black towers of the Southfield Town Center, Southfield's signature landmark, are home to many of the international firms in the community. Dining out also offers a reminder of Southfield's position as a global city, with restaurateurs from around the world offering the best in Asian, Italian, African-American, Middle Eastern, Jewish and continental cuisine. Experiencing this multicultural environment makes youth and adults alike more at ease in the global village of the 21st

City of Southfield

Letter of Transmittal

Century, knowledgeable about cultures, customs and traditions worldwide, while promoting harmony and understanding among people of all backgrounds and heritages.

Southfield's modern infrastructure, diverse mix of residential and business cultures, emphasis on beautification and roadside appearance, and premier City services have created a statewide model of a successful community environment, helping provide a solid foundation for the City's continued growth and prosperity. The information and analysis presented in the following pages reflect the City's commitment to high standards of financial reporting and to Southfield's future vitality.

Appreciation is extended to the elected officials, department heads and other employees responsible for contributing to the City's sound financial position. Southfield is blessed with individuals who appreciate and respect principles of fiscal restraint and propriety, enabling the City to successfully address economic challenges. In particular, we acknowledge the special efforts of the financial services employees who contributed to the development of this report. The continuing support of Southfield's elected officials, who remain committed to fiscal integrity and financial leadership, is particularly appreciated.

Respectfully submitted,



Dale E. Iman
City Administrator

CITY OF SOUTHFIELD, MICHIGAN

-MAYOR-

Brenda L. Lawrence

-CITY COUNCIL-

Sylvia Jordan, President

Kenson J. Siver, President Pro Tem

Roy T. Bell

Donald F. Fracassi

Myron A. Frasier

Sidney Lantz

Joan Seymour

-CITY CLERK-

Nancy L. M. Banks

-CITY TREASURER-

Roman J. Gronkowski

-CITY ADMINISTRATOR-

Dale E. Iman

Report of Independent Auditors

Honorable Mayor and Members of the City Council
City of Southfield, Michigan

In our opinion, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Southfield, Michigan (the "City"), which collectively comprise the City's basic financial statements as listed in the table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. We also have audited the aggregate non-major governmental funds, the internal service fund type, and each fiduciary fund type as of and for the year ended June 30, 2005, as displayed in the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In accordance with Government Auditing Standards, we have also issued our report dated May 5, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 18 through 28 and the required supplementary information on pages 86 through 88 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America and by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

PriceWaterhouseCoopers LLP

May 5, 2006

CITY OF SOUTHFIELD

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the City of Southfield's (the City's) financial performance, providing an overview of the activities for the fiscal year ending June 30, 2005. This analysis should be read in conjunction with the transmittal letter, beginning on page 1 of this report, and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-Wide:

- Net assets (excluding component units) increased by \$.3 million, or .2%, from \$171.1 million to \$171.4 million
- Governmental activities net assets decreased by \$2.0 million to \$116.7 million.
- Business-type activities net assets increased by \$2.3 million to \$54.7 million.

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported combined ending fund balance of \$46.9 million, with \$16.1 million being reserved, designated, or otherwise earmarked for specific purposes.
- The fiscal year 2005 governmental funds combined ending fund balance reflects an increase of \$9.1 million from the prior fiscal year.
- This combined increase, however, is made up of a decrease in the General Fund ending balance of \$2.0 million, a decrease of \$.5 in the ending fund balance from the non-major governmental funds, and an increase of \$11.6 million from the newly created major fund Road Construction.
- The decrease in the General Fund balance was primarily due to budgeted draws in support of operations in a highly constrained economic environment, reduced revenue sharing from the State of Michigan and increased payroll and fringe benefit costs. While the Special Revenue funds showed operating efficiencies of \$2.6 million; use of fund balance to pay debt service in the amount of \$.2 million and the use of bond proceeds in the amount of \$2.9 million to finish capital renovations decreased non-major governmental fund balances by \$.5 million. An increase of \$11.6 million in the major fund Road Construction was from bond proceeds.

Capital and Long-term Debt Activities:

- The City issued \$12.5 million in new bonds during fiscal year 2005; the issue was to fund infrastructure renovations including a new interchange at I-696 and Franklin road. The City refinanced a \$27.2 million bond issue and replaced it with \$27.6 million of bonds with lower interest rates. On behalf of the City, the County bonded \$1.6 million for Drain usage rights.
- The City is \$356.6 million below its authorized debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the City consists of the following components: 1) An Introductory Section which includes the Transmittal Letter; 2) A Financial Section which includes the Auditor's Report, the Management Discussion and Analysis, the Basic Financial Statements (government-wide financial statements, fund financial statements, notes to the financial statements), Required Supplementary Information such as a budget to actual comparison for the General Fund, additional Non-Required Information including combining financial statements for all non-major governmental funds and proprietary funds; and 3) A Statistical Section.

City of Southfield

Management's Discussion and Analysis

Government-wide Financial Statements

The set of basic financial statements includes the Statement of Net Assets and the Statement of Activities, which report information about the City as a whole, and about its activities. These statements help the reader to determine if the City of Southfield, in its entirety, is better or worse off as a result of this fiscal year's activities. These statements, which include all non-fiduciary assets and liabilities, are reported on the accrual basis of accounting, similar to a private business. This means revenues are accounted for when they are earned and expenses are accounted for when an obligation is incurred; regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 32) presents the City's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or declining.

The Statement of Activities (page 33) presents information showing the City's net assets change during fiscal year 2005. All changes in net assets are reported based on the period during which the underlying events giving rise to the change occurred, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

Governmental Activities - Taxes, charges for services, and intergovernmental revenue primarily fund these services. Most of the City's departments and operations are reported under these activities. **Business-type Activities** - These activities operate like private-sector businesses. The City's Water and Sewer Fund charges fees to recover the cost of the services provided.

Discretely Presented Component Units - Component units are legally separate organizations for which the City Council appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Six discretely presented component units are included: the Local Development Finance Authority, the Tax Increment Finance Authority, the Economic Development Corporation, the Downtown Development Authority, the Brownfield Re-Development Authority and the Southfield Non Profit Housing Corporation.

As stated previously, the government-wide statements report on an accrual basis of accounting. However, the governmental funds report on a modified accrual basis. Under modified accrual accounting, revenues are recognized when they are available to pay obligations of the fiscal period, expenditures are recognized when they are due.

Because of the different basis of accounting between the Fund Statements (described below) and the government-wide statements, pages 37 and 39, the City presents reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

Capital assets used in government activities and depreciation expense are not reported on the government fund financial statements, however depreciation expense is reported on the government-wide statements. Capital outlay spending results as capital assets on the government-wide statements and are reported as expenditures on the government fund financial statements.

City of Southfield

Management's Discussion and Analysis

Government-wide Financial Statements (continued)

Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.

Long-term contingencies, such as reserves for sick and annual leave (compensated absences, etc.), appear as liabilities on the government-wide statements; however they will not appear on the fund statements unless current resources are used to pay a specific obligation. Bond and loan proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the City's assets such as land, buildings and furniture and fixtures. These values are not included in the fund financial statements.

Fund Financial Statements

The fund financial statements, which begin on page 36, provide information on the City's significant funds - as a whole. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that is used to keep track of specific sources of funding and spending for a particular purpose. Funds are also utilized to track specific operations; these include the internal services funds (e.g., Motor Pool, Equipment Revolving, etc.) as well as the Water and Sewer enterprise fund.

The basic financial statements only report major funds separately as defined by the Government Accounting Standards Board (GASB). All other funds are classified as non-major funds. Detailed information on non-major funds can be found in other sections of this report.

The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

Governmental Funds – Basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year, and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance programs. These funds are reported using the modified accrual basis of accounting as described above. Because this basis of accounting differs from the government-wide statements, additional information is provided reconciling the government fund statements to the government-wide statements. Governmental funds include the General Fund, as well as Special Revenue Funds, Capital Projects Funds and Debt Service Funds.

City of Southfield

Management's Discussion and Analysis

Fund Financial Statements (continued)

Proprietary Funds – Funds with a focus on operating income and cost recovery are reported in proprietary funds. Proprietary funds use the accrual basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. Enterprise funds report activities that provide supplies and services to the general public. The Water and Sewer Fund is the City's only enterprise fund. Internal Service funds report activities that provide supplies and services to the City's other operations. Internal Service funds, such as the Motor Pool fund, are reported as governmental activities on the government-wide statements.

Fiduciary Funds – The City acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The City's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 48. These funds, which include Pension, Retiree Health Care Benefits Plan and Trust and Agency, are reported using the accrual basis of accounting. The government-wide statements exclude the fiduciary fund activities and balances because these assets are not available to fund current operations.

Notes to the Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The notes can be found beginning on page 56 of this report.

Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information (RSI) which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedule for the General Fund and the major governmental funds as well as pension trend data.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and are presented in single columns in the basic financial statements, but are not reported individually, as are the major funds, on the government-wide statements.

City of Southfield
Management's Discussion and Analysis
FINANCIAL ANALYSIS

As previously stated the City's combined net assets increased by \$.3 million over the course of this fiscal year's operations. The net assets of the governmental activities decreased in the amount of \$2.0 million; the net assets of the business type activities increased by \$2.3 million.

The following is a condensed Statement of Net Assets for the period ending June 30, 2005:

Net Assets June 30, 2005 (in millions of dollars)						
	Governmental Activities		Business Type Activities		Total Primary Government	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
ASSETS						
Current and other assets	\$ 90.7	\$ 80.2	\$ 12.1	\$ 9.6	\$ 102.8	\$ 89.8
Capital and other Long term assets	<u>105.9</u>	<u>104.2</u>	<u>85.3</u>	<u>86.4</u>	<u>191.2</u>	<u>190.6</u>
Total assets	<u>196.6</u>	<u>184.4</u>	<u>97.4</u>	<u>96.0</u>	<u>294.0</u>	<u>280.4</u>
LIABILITIES						
Current liabilities	11.8	6.3	4.4	3.5	16.2	9.8
Other liabilities	<u>68.1</u>	<u>59.4</u>	<u>38.3</u>	<u>40.1</u>	<u>106.4</u>	<u>99.5</u>
Total liabilities	<u>79.9</u>	<u>65.7</u>	<u>42.7</u>	<u>43.6</u>	<u>122.6</u>	<u>109.3</u>
NET ASSETS						
Invested in capital assets net of related debt	50.3	51.8	48.1	47.5	98.4	99.3
Restricted	26.8	11.4			26.8	11.4
Unrestricted	<u>39.6</u>	<u>55.5</u>	<u>6.6</u>	<u>4.9</u>	<u>46.2</u>	<u>60.4</u>
Total Net Assets	<u>\$ 116.7</u>	<u>\$ 118.7</u>	<u>\$ 54.7</u>	<u>\$ 52.4</u>	<u>\$ 171.4</u>	<u>\$ 171.1</u>

City of Southfield

Management's Discussion and Analysis

Financial Analysis (continued)

The following is a condensed representation of financial information using the government-wide Statement of Activities and reflects the changes in the City's net assets during the fiscal year:

Changes in Net Assets
for the fiscal year ending June 30, 2005
(in millions of dollars)

	Governmental Activities		Business Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
REVENUES						
Program revenues						
Charges for services	\$ 15.9	\$ 16.0	\$ 28.3	\$ 23.6	\$ 44.2	\$ 39.6
Operating grants & contributions	19.2	21.1			19.2	21.1
General revenues						
Property taxes	56.6	54.9			56.6	54.9
Investment earnings	1.3	0.4	0.1	0.2	1.4	0.6
Other	0.4	1.4			0.4	1.4
Total revenues	93.4	93.8	28.4	23.8	121.8	117.6
EXPENDITURES						
General government	17.1	19.4			17.1	19.4
Public safety	43.4	40.9			43.4	40.9
Highway and streets	9.4	9.9			9.4	9.9
Public services	1.1	0.6			1.1	0.6
Sanitation	3.1	3.4			3.1	3.4
Community improvement	0.9	1.1			0.9	1.1
Social services	3.0	3.1			3.0	3.1
Culture and recreation	15.6	16.5			15.6	16.5
Water and sewer			25.0	23.2	25.0	23.2
Interest on long term debt	2.9	2.3			2.9	2.3
Total expenditures	96.5	97.2	25.0	23.2	121.5	120.4
Excess (deficiency) before transfers	(3.1)	(3.4)	3.4	0.6	0.3	(2.8)
Transfers in	1.1	16.5			1.1	16.5
Transfers out		(7.5)	(1.1)	(8.5)	(1.1)	(16.0)
Increase (decrease) in net assets	(2.0)	5.6	2.3	(7.9)	0.3	(2.3)
Beginning net assets	118.7	113.1	52.4	60.3	171.1	173.4
Ending net assets	\$ 116.7	\$ 118.7	\$ 54.7	\$ 52.4	\$ 171.4	\$ 171.1

City of Southfield

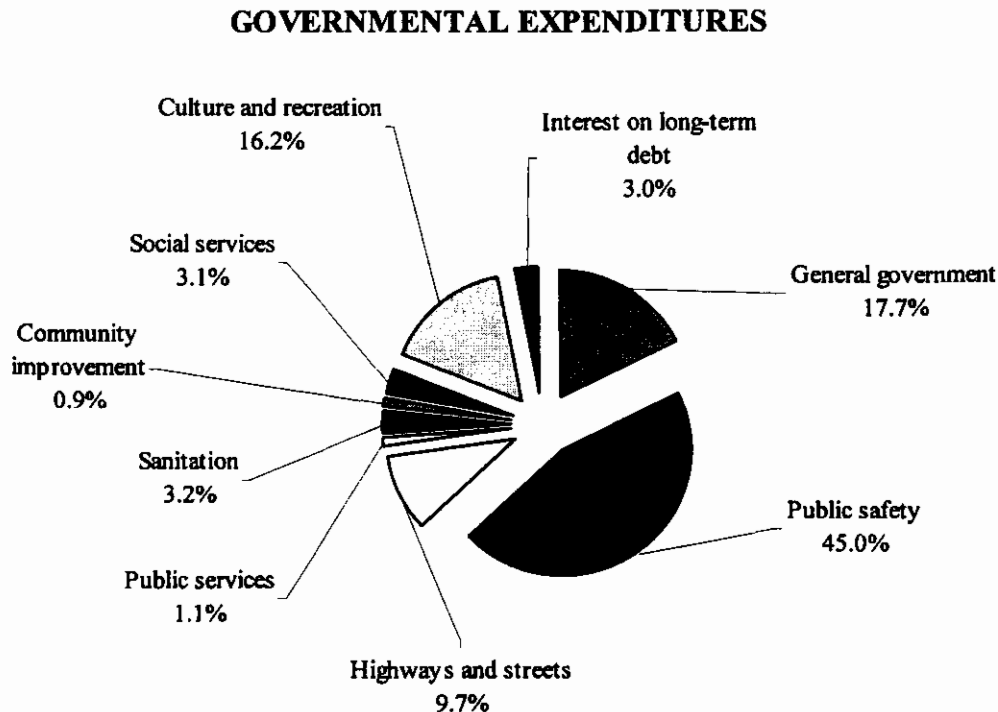
Management's Discussion and Analysis

Financial Analysis (continued)

Governmental Activities:

The result of 2005 fiscal year's governmental activity was a decrease of \$2.0 million in net assets to total net assets of \$116.7 million. Of this total, \$50.4 million is invested in capital assets less related debt, \$26.9 million is reported as restricted, meaning these assets are legally committed for a specific purpose through statute or by another authority outside the government. The balance of \$39.6 million is listed as unrestricted, having no legal commitment. However, it should be noted that of the total unrestricted amount, \$9.0 million is reserved, designated, or otherwise earmarked in the General Fund for specific purposes. Refer to Note 4 A on page 75, for a complete list of designations.

The following chart depicts expenditures of the governmental activities for the fiscal year:



Governmental activity expenses for the fiscal year increased by \$.8 million. Public Safety is the largest governmental activity, expending \$43.4 million of the governmental activities total expenses of \$96.4 million. It comprises 45.0% of total governmental expenses. This activity increased by 6.1%, as a Fire station renovation project was completed this fiscal year and the City attempts to constrain personnel costs. General government is the second largest governmental activity with a total expenditure of \$17.1 million, expending 17.7% of total governmental expenses. This activity decreased 11.9%. The General government expenses decreased by \$2.3 million as their portion in a \$4 million computer installation project was completed additional phases related to other categories such as Public services and the Business-type fund. Cultural and recreation is the third largest governmental activity with a total expense

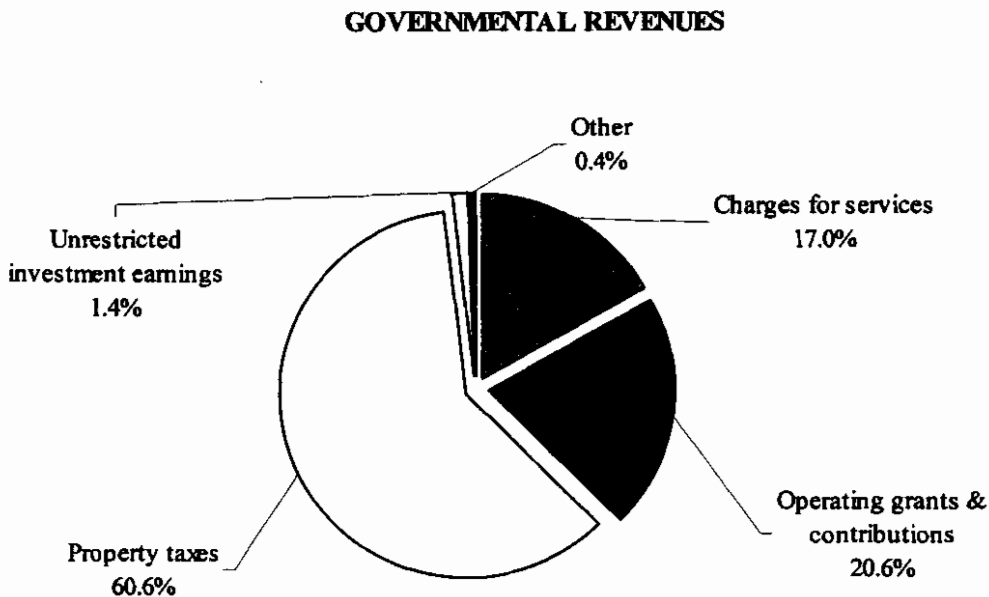
City of Southfield

Management's Discussion and Analysis

Financial Analysis (continued)

of \$15.6 million, expending 16.2% of total governmental expenses. This activity decreased by 5.4% as operating efficiencies was realized in Parks and Recreation and Library. Parks and Recreation sold a costly building in 2004 while the Library's expenses stabilized in their first full year of operations in their new building. These three categories expend over 78.9% of total governmental activity expenses.

The following chart depicts revenues of the governmental activities for the fiscal year:



In total, revenue collections decreased marginally in fiscal year 2005 from fiscal year 2004. This decrease is derived from increases in taxes and unrestricted investment earnings with a slightly larger decrease in operating grants and contributions. Property tax revenue is the largest source of support for the governmental activities; however, it is not assigned to any particular function. The City's operating millage rate is 16.2 mills. Property tax revenue generated \$56.6 million in 2005. It represented 60.6% of all available sources of revenue. The 2.6% increase over 2004 is explained by a 2.3% increase in taxable assessed values allowed by Proposal A and a slight increase in tax rates. Operating grants and contributions which include intergovernmental revenues are the second largest source of governmental activity revenue. State shared revenues, which are constitutionally and statutorily provided by the State of Michigan, represents the largest portion of operating grants and contribution revenues.

Operating grants and contributions were received in the amount of \$19.2 million. It represented 20.6% of all available sources of revenue. The 9.0% decrease over 2004 is explained by 2004 having several large one-time intergovernmental grants. Over 81.1% of the governmental activities are supported by these two revenue sources.

City of Southfield

Management's Discussion and Analysis

Governmental Activities (continued)

Business-type Activities:

The net assets of Business-type activities increased by \$2.3 million during fiscal year 2005. Overall charges for services increased from 2004 by 19.9%. This increase is reflected in charges for services in the amount of \$4.7 million. The City of Southfield increased rates in the original budget and again as a mid year budget adjustment in order to keep pace with increasing water charges. Operating expenses increased by 7.8%. This increase is attributed to the cost of transmission and distribution and is directly related to water charges.

Of the total \$54.7 million of net assets in the business type activities, \$6.6 million is reported as unrestricted.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

General Fund

The General Fund is the central operating fund of the City of Southfield. Unless otherwise required by statute, contractual agreement or policy, all revenues and expenditures are recorded in the General Fund. As of June 30, 2005, the General Fund reported a fund balance of \$14.7 million. This amount is a reduction of \$2.0 million from the prior June 30. Of the total fund balance, \$9.0 million is reserved, designated or earmarked for specific purposes. These designations include \$2.0 million for subsequent year's expenditure, \$1.2 million for economic development, \$1.4 million for equalization, \$1.4 million for budget stabilization and \$1.275 million for capital projects.

General Fund Budgetary Highlights:

The City of Southfield's budget is a dynamic document. Although adopted in June (prior to the start of the fiscal year), the budget is amended during the course of the fiscal year to reflect changing operational demands.

The General Fund revenue budget was increased marginally during fiscal year 2005, to a final budgeted amount of \$58.7 million from \$58.6 million. General Fund revenue totaled \$60.1 million, \$1.4 million above the final amended budget. State Shared revenues shortfalls, resulting from sluggish economic conditions in the State of Michigan, were included within the intergovernmental revenue category.

The City's expenditure budget was increased marginally during fiscal year 2005 from \$61.5 million to a final budget of \$61.7 million. Actual expenditures for fiscal year 2005 were \$61.2 million which was \$.5 million below budget. This total is comprised mostly by savings from a cost reduction program including hiring restrictions and aggressive monitoring of overtime usage began last fiscal year and adhered to because of the local economy.

In summary, the fiscal year 2005 Final Amended Budget anticipated using \$3.9 million of prior year's fund balance. This primarily included a budgeted fund balance use of \$3.0 million for operations and \$1.6 million for capital and technology improvements; therefore, actual use of fund balance was \$2.0 million.

City of Southfield

Management's Discussion and Analysis

Financial Analysis of the City's Major Funds (continued)

Road construction Fund

The City of Southfield sold Motorized Transportation Fund bonds in the amount of \$12.5 million for the construction of a new interchange on I-696 at Franklin Road and other improvements to the major road system. After pre-engineering costs of \$.8 million, bond discounts and investment earnings, the fund had a fund balance of \$11.6 million. It is anticipated that approximately \$8.0 million of these funds will be expended in the 2005-06 fiscal year and the remainder in the 2006-07 fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – At the end of Fiscal Year 2005, the City of Southfield had invested \$184.2 million, net of accumulated depreciation, in a broad range of capital assets. While a land purchase, building and water system improvements and vehicle and equipment purchases totaled \$6.4 million, depreciation exceeded those amounts to reflect a \$.9 million reduction in assets. Additionally, an increase of \$1.6 million was realized from Drain usage rights. Refer to Note 3 C on page 69 & 70 for additional capital asset information.

Long Term Debt – At the end of 2005, the City of Southfield had \$93.75 million in bonds outstanding. In the current fiscal year, the City borrowed \$12.5 million using a Motorized Transportation Fund Bonds to construct an off ramp for I-696 and other major street improvements. The amount of bonds with limited taxing authority in 2005 is \$34.6 million. A more detailed depiction of the City's long-term debt obligations is presented in Note 3 D on page 71 & 72 to the financial statements.

Bond Ratings – The City's unlimited and limited tax general obligation bond rating from Standard and Poor's is AA+. Moody's Investors Services rating for the City's unlimited tax general obligation bonds is Aa2, and its limited tax general obligation bond rating is Aa3.

ECONOMIC OUTLOOK

At June 30, 2005, the General Fund reserved and unreserved fund balance total stood at \$14.7 million, of which \$2.0 has been reserved for subsequent year's expenditure; leaving \$12.7 million or approximately 20% of the subsequent year's General Fund operating budget unreserved. City leaders are committed to maintaining this strong financial posture into the future and consider budgetary issues from a longer-range/multi-year perspective.

Accordingly, within the 2005-06 budget process, City Council adopted, by reference, a 5-Year Fund Balance Stabilization Plan that is designed to end the City's use of fund balance to support General Fund operations in 5-years or less. At the end of the period, fund balance levels are anticipated to stabilize at a healthy level (at least 12%). In each succeeding year under the plan, the use of fund balance will be reduced by about 40%, reaching the point where in the year 2009-10, or before, no fund balance will be utilized and the fund balance level will have been stabilized.

City of Southfield

Management's Discussion and Analysis

Economic Outlook (continued)

In November of 2004, Moody's Investors Services reviewed this plan, along with other materials and interview information provided, and reconfirmed the City's strong bond ratings: Aa2 Unlimited Tax Rating and Aa3 Limited Tax Rating. The Moody's review team indicated that the existence of a formal, written fund balance strategy, and its inclusion within the formal adoption process for the 2005-06 budget, were strong points in favor of the future financial viability of the City of Southfield.

As we consider the budget process for fiscal year 2005-06, the 5-Year Fund Balance Stabilization Plan will provide a major focus and a benchmark to be achieved in the overall process. Among the challenges we will be facing is a continuing sluggish Michigan economy, a weak state shared revenue picture, near record low interest rates affecting investment income, and legal limits on the amount of revenue growth that may be anticipated from growth in the property tax rolls.

In order to face these challenges, we will focus on:

- Development of a reorganization plan to streamline reporting relationships, reengineer work processes, and squeeze maximum efficiencies from existing resources.
- Tight position control and an emphasis on reducing positions, by attrition, without affecting essential on-the-street services.
- Review of fee structures and new fee opportunities.
- Exploring opportunities for providing services to other communities.

Should these and like options prove insufficient to overcome the known and evolving challenges; then, and only then, would the City consider exploring voter-approved revenue enhancements. Such action would certainly be initiated with great caution and would include heavy citizen input and involvement. In any event, City leadership is committed to taking whatever action is necessary to maintain high community standards and to protect the fiscal integrity of the City and its future.

CONTACTING THE CITY'S DEPARTMENT OF MANAGEMENT AND BUDGET

This financial report is designed to provide our residential and corporate taxpayers, investors, creditors, and any other interested parties with a general overview of the City's accountability for the financial resources under its purview and to demonstrate the City's commitment to proper standards of financial reporting. If there are questions about this report, or further information is needed, please contact James B. Pierce, City Controller, at (248) 796-5212.

City of Southfield
Government-Wide Statement of Net Assets
June 30, 2005

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Governmental Component Units	Proprietary Nonprofit Housing Corporation *
ASSETS					
Cash and cash equivalents	\$ 27,524,214	\$ 890,107	\$ 28,414,321	\$ 1,058,224	\$ 6,836,443
Investments	42,177,086	2,487,077	44,664,163	6,314,404	
Receivables, net	13,691,107	9,809,122	23,500,229	417,244	46,501
Prepays	1,231,800	2,051	1,233,851	1,184	237,560
Due from fiduciary	3,630,200		3,630,200	643	
Due from component units	102,712		102,712		
Due from primary government				46,970	
Due from other governmental units	452,425	671,288	1,123,713		
Internal balances (see note 4. G.)	1,893,448	(1,893,448)			
Inventories	497,642	153,894	651,536		
Noncurrent assets	6,545,683		6,545,683		
Capital assets:					
Non-depreciable	12,559,085		12,559,085		
Depreciable-net	86,337,296	85,251,232	171,588,528	465,391	11,911,618
Total assets	<u>196,642,698</u>	<u>97,371,323</u>	<u>294,014,021</u>	<u>8,304,060</u>	<u>19,032,122</u>
LIABILITIES					
Accounts payable and other current liabilities	6,025,780	3,461,243	9,487,023	71,408	807,888
Interest payable	473,221	231,128	704,349		52,763
Due to fiduciary	373,709	8,439	382,148	63,569	
Due to component units	46,970		46,970		
Due to primary government				102,712	
Due to other governmental units				2,374,490	
Deferred revenue	4,107,973	709,753	4,817,726		
Noncurrent liabilities:					
Due within one year	1,750,621	3,434,644	5,185,265		
Due in more than one year	67,086,922	34,856,909	101,943,831	5,552,338	12,515,954
Total liabilities	<u>79,865,196</u>	<u>42,702,116</u>	<u>122,567,312</u>	<u>8,164,517</u>	<u>13,376,605</u>
NET ASSETS (DEFICIT)					
Invested in capital assets, net of related debt	50,359,729	48,116,846	98,476,575	465,391	(604,336)
Restricted					
Highways and streets	3,476,045		3,476,045		
Culture and recreation	8,054,114		8,054,114		
Public safety	287,607		287,607		
Debt service	1,659,979		1,659,979		
Capital projects	13,295,877		13,295,877		
Unrestricted	39,644,151	6,552,361	46,196,512	(325,848)	6,259,853
Total net assets	<u>\$ 116,777,502</u>	<u>\$ 54,669,207</u>	<u>\$ 171,446,709</u>	<u>\$ 139,543</u>	<u>\$ 5,655,517</u>

The notes to the financial statements are an integral part of this statement.

* Reported as of December 31, 2004

City of Southfield
Government-wide Statement of Activities
For the Year Ended June 30, 2005

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	Total	Component Units	Nonprofit Housing Corporation *
Functions/Programs							
Primary government:							
Governmental activities:							
General government	\$ 17,131,210	\$ 957,943	\$ 9,015,977	\$ (7,157,290)	\$ (7,157,290)		
Public safety	43,371,039	6,237,345	719,520	(36,414,174)	(36,414,174)		
Highways and streets	9,364,726		570,550	(8,794,176)	(8,794,176)		
Public services	1,071,101	1,266,861	5,363,944	5,559,704	5,559,704		
Sanitation	3,098,198	2,891,792		(206,406)	(206,406)		
Community improvement	805,130			(805,130)	(805,130)		
Social services	3,074,478	216,055	3,429,548	571,125	571,125		
Culture and recreation	15,629,319	4,387,126	71,895	(11,170,298)	(11,170,298)		
Interest on long-term debt	2,855,648			(2,855,648)	(2,855,648)		
Total governmental activities	96,400,849	15,957,122	19,171,434	(61,272,293)	(61,272,293)		
Business-type activities							
Water and Sewer	24,983,288	28,270,555		3,287,267	3,287,267		
Total primary government	\$ 121,384,137	\$ 44,227,677	\$ 19,171,434	(61,272,293)	(57,985,026)		
Functions/Programs							
Governmental component units:							
Administration	\$ 855,455					\$ (855,455)	
Community improvement	74,786	397,452				322,666	
Interest	30,983					(30,983)	
Other	61,337					(61,337)	
Total governmental component units	1,022,561	397,452				(625,109)	
Proprietary component unit:							
Southfield non-profit housing	\$ 3,589,826	\$ 3,434,955				\$ (154,871)	
General revenues:							
Property taxes				56,580,394	56,580,394	3,187,509	
Special assessments				226,617	226,617		23,469
Contributions and donations				145,494	145,494		466,450
Unrestricted investment earnings				46,536	1,336,587	124,425	
Transfers in				7,140	1,103,249		
Transfers out				(1,096,109)	(1,103,249)		
Total general revenues and transfers				59,331,525	58,289,092	3,311,934	489,919
Change in net assets				(1,940,768)	304,066	2,686,825	335,048
Net assets - beginning				118,718,270	171,142,643	(2,547,282)	5,320,469
Net assets - ending				\$ 116,777,502	\$ 171,446,709	\$ 139,543	\$ 5,655,517

The notes to the financial statements are an integral part of this statement.

* Audited as of 12/31/04

City of Southfield
Balance Sheet
Governmental Funds
June 30, 2005

	Major Fund	Major Fund	Non-Major Funds	Total
	General	Road Construction Fund	Other Governmental Funds	Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,007,946	\$ 12,479,410	\$ 9,274,719	\$ 25,762,075
Investments	1,014,411		16,090,773	17,105,184
Receivables (net)	8,067,965	12,567	5,470,325	13,550,857
Prepays	809,598		388,088	1,197,686
Due from other funds	7,247,347		3,385,593	10,632,940
Due from component units	9,537		68,776	78,313
Due from other governmental units			452,425	452,425
Inventories	221,477			221,477
Total assets	\$ 21,378,281	\$ 12,491,977	\$ 35,130,699	\$ 69,000,957
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	1,409,605	829,444	1,865,147	4,104,196
Accrued payroll	963,103		241,257	1,204,360
Accrued compensated absences	524,026		76,044	600,070
Due to component units	46,970			46,970
Due to other funds	2,179,763		5,862,056	8,041,819
Deferred revenue	1,413,682		2,694,291	4,107,973
Other short-term liabilities	103,369	48,876	43,484	195,729
Long-term advances from local improvement revolving fund			3,787,021	3,787,021
Total liabilities	6,640,518	878,320	14,569,300	22,088,138
Fund balances:				
Reserved for:				
Encumbrances	58,359		1,551,128	1,609,487
Debt service			1,659,979	1,659,979
Subsequent year's expenditures	1,967,873			1,967,873
Specific programs	7,000,000		3,681,548	10,681,548
Capital projects reserve			168,758	168,758
Unreserved, reported in:				
General fund	5,711,531			5,711,531
Special revenue funds			11,817,766	11,817,766
Capital projects funds		11,613,657	1,682,220	13,295,877
Total fund balances	14,737,763	11,613,657	20,561,399	46,912,819
Total liabilities and fund balances	\$ 21,378,281	\$ 12,491,977	\$ 35,130,699	\$ 69,000,957

The notes to the financial statements are an integral part of this statement.

City of Southfield
Reconciliation of the Balance Sheet -
Governmental Funds to the Government-wide
Statement of Net Assets
June 30, 2005

Fund balance for governmental activities	\$ 46,912,819
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	91,956,781
Other long-term assets are not available to pay for current-period expenditures and, therefore deferred in the funds:	
Accrued interest payable	(473,221)
Compensated absences - long-term	(9,078,800)
Internal service funds are used by management to charge the costs of maintaining facilities equipment and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	45,937,954
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(58,478,031)</u>
Government-wide net assets of governmental activities	\$ <u>116,777,502</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	<u>Major Fund</u>	<u>Major Fund</u>	<u>Non-Major Funds</u>	
	<u>General</u>	<u>Road Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 39,002,416		\$ 17,577,978	\$ 56,580,394
Special assessments			226,617	226,617
Charges for services	1,937,750		3,786,368	5,724,118
Sanitation	2,891,792			2,891,792
Licenses and permits	2,284,166			2,284,166
Fines and forfeitures	3,161,442		286,891	3,448,333
Franchise fees			784,539	784,539
Intergovernmental	9,778,503		9,392,931	19,171,434
Contributions and donations			145,494	145,494
Investment earnings	499,943	\$ 12,677	777,431	1,290,051
Other	569,190		525,429	1,094,619
Total revenues	60,125,202	12,677	33,503,678	93,641,557
EXPENDITURES				
Current:				
General government	10,450,600			10,450,600
Public safety	41,826,048		1,131,882	42,957,930
Highways and streets			8,366,140	8,366,140
Public services	1,071,101			1,071,101
Sanitation	3,098,198			3,098,198
Community improvement			804,973	804,973
Social services	343,302		2,539,987	2,883,289
Culture and recreation			14,267,105	14,267,105
Other			6,563,617	6,563,617
Insurance and bonds	632,071			632,071
Unallocated costs	3,738,158			3,738,158
Capital outlay, construction and other costs		840,044		840,044
Debt service:				
Principal retirement			1,317,119	1,317,119
Interest and fiscal charges			2,276,831	2,276,831
Total expenditures	61,159,478	840,044	37,267,654	99,267,176
Deficiency of revenues under expenditures	(1,034,276)	(827,367)	(3,763,976)	(5,625,619)
OTHER FINANCING SOURCES (USES)				
Transfers in	215,182		7,231,973	7,447,155
Transfers out	(1,184,931)		(3,966,416)	(5,151,347)
Discount on long-term debt		(58,976)		(58,976)
Issuance of long-term debt		12,500,000		12,500,000
Total other financing sources (uses)	(969,749)	12,441,024	3,265,557	14,736,832
Net change in fund balances	(2,004,025)	11,613,657	(498,419)	9,111,213
Fund balances - beginning	16,741,788	-	21,059,818	37,801,606
Fund balances - ending	\$ 14,737,763	\$ 11,613,657	\$ 20,561,399	\$ 46,912,819

The notes to the financial statements are an integral part of this statement.

City of Southfield

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-wide Statement of Activities For the Year Ended June 30, 2005

Net change in fund balances – total governmental funds	\$ 9,111,213
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,366,942
Decrease to other revenues for sale of building, net of depreciation	(270,445)
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Assets. Long-term debt for capital assets is a reduction of net assets however, a reduction of the debt increases net assets. This is the amount of principal paid on long-term debt.	1,317,119
Current year's fiscal charges for refinancing long-term debt.	(455,000)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The amount of expenditures for accumulated compensated absences is reported here.	(574,340)
Internal Service funds are used by management to charge the costs of certain activities, such as motor pool, and equipment replacement, to individual funds. The net activity of the internal service funds is reported with governmental activities.	128,527
Proceeds from long-term debt net of discount	(12,441,024)
Decrease in accrued interest payable on long-term debt	<u>(123,760)</u>
Change in net assets government-wide statement of governmental activities	\$ <u><u>(1,940,768)</u></u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-type Activities - Enterprise Fund Water and Sewer	Governmental Internal Service Funds
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 890,107	\$ 1,762,139
Investments	2,487,077	25,071,902
Receivables (net)	9,809,122	140,250
Prepays	2,051	34,114
Due from other funds		3,461,652
Due from component units		24,399
Due from other governmental units	671,288	
Inventory	153,894	276,165
Total current assets	<u>14,013,539</u>	<u>30,770,621</u>
Noncurrent assets:		
Long-term advances to other funds		4,387,022
Long-term advances to component units		5,892,185
Long-term advances to employees		53,498
Capital assets:		
Transmission mains	113,285,679	
Machinery and equipment	1,245,415	24,418,762
Less accumulated depreciation	<u>(29,279,862)</u>	<u>(17,479,162)</u>
Total capital assets (net of accumulated depreciation)	<u>85,251,232</u>	<u>6,939,600</u>
Total noncurrent assets	<u>85,251,232</u>	<u>17,272,305</u>
Total assets	<u>99,264,771</u>	<u>48,042,926</u>
LIABILITIES		
Current liabilities:		
Accounts payable	3,247,115	520,659
Deposits and escrow	130,125	
Accrued payroll	52,696	72,933
Accrued compensated absences	31,307	35,708
Due to other funds	1,901,887	902,835
Deferred revenue	709,753	
Interest payable	231,128	
Revenue bonds payable	2,574,682	
Other	859,962	
Total current liabilities	<u>9,738,655</u>	<u>1,532,135</u>
Noncurrent liabilities:		
Accrued compensated absences	297,205	572,837
Revenue bonds payable	33,959,704	
Long-term advances from other funds	600,000	
Total noncurrent liabilities	<u>34,856,909</u>	<u>572,837</u>
Total liabilities	<u>44,595,564</u>	<u>2,104,972</u>
NET ASSETS		
Invested in capital assets, net of related debt	48,116,846	6,939,600
Unrestricted	6,552,361	38,998,354
Total net assets	<u>\$ 54,669,207</u>	<u>\$ 45,937,954</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Fund Water and Sewer	Governmental Internal Service Funds
OPERATING REVENUES		
Charges for consumption and service:		\$ 10,156,846
Water and sewage charges	\$ 27,321,057	
Installation charges	159,369	
Interest and penalties	769,244	
Other	20,885	1,221,871
Total operating revenues	<u>28,270,555</u>	<u>11,378,717</u>
OPERATING EXPENSES		
Administration	2,835,067	2,252,212
Equipment and facility operation		5,291,002
Transmission and distribution	19,348,601	
Service installation and meter reading	631,168	
Depreciation	2,168,452	1,993,342
Other		872,315
Total operating expenses	<u>24,983,288</u>	<u>10,408,871</u>
Operating income	3,287,267	969,846
NONOPERATING REVENUES (EXPENSES)		
Loss on disposition of assets		(118,200)
Investment income	46,536	483,720
Total nonoperating revenue	<u>46,536</u>	<u>365,520</u>
Income (loss) before transfers	3,333,803	1,335,366
OTHER FINANCING SOURCES (USES)		
Transfers in	7,140	
Transfers out	(1,096,109)	(1,206,839)
Total other financing sources (uses)	<u>(1,088,969)</u>	<u>(1,206,839)</u>
Change in net assets	2,244,834	128,527
Total net assets - beginning	<u>52,424,373</u>	<u>45,809,427</u>
Total net assets - ending	<u>\$ 54,669,207</u>	<u>\$ 45,937,954</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities - Enterprise Fund Water and Sewer	Governmental Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from users	\$ 24,241,862	\$ 9,024,979
Cash paid to employees	(2,916,858)	(4,554,421)
Cash paid to suppliers	(16,737,894)	(3,054,394)
Net cash provided by operating activities	<u>4,587,110</u>	<u>1,416,164</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	7,140	
Transfers out	(1,096,109)	(1,206,839)
Net cash used in noncapital and related financing activities	<u>(1,088,969)</u>	<u>(1,206,839)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of property and equipment		(1,246,032)
System improvements	(1,006,459)	
Net proceeds from sale of revenue bonds	(2,360,377)	
Net cash used in capital and related activities	<u>(3,366,836)</u>	<u>(1,246,032)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income	46,536	527,879
Net cash provided by investing activities	<u>46,536</u>	<u>527,879</u>
Net increase (decrease) in cash, cash equivalents and investment	177,841	(508,828)
Cash, cash equivalents and investments, beginning of year	3,199,343	27,342,869
Cash, cash equivalents and investments, end of year	<u>\$ 3,377,184</u>	<u>\$ 26,834,041</u>
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	\$ 3,287,267	\$ 969,846
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation expense	2,168,452	1,993,342
Other receivables	(4,050,193)	110,543
Prepays	(1,029)	(19,754)
Due from other funds	11,094	(2,946,342)
Inventory	11,435	30,390
Long-term advances		(756,410)
Long-term advances to component units		1,239,539
Long-term advances to employees		(11,704)
Accounts payable	(7,932)	173,821
Interest payable	(20,549)	
Accrued payroll	(29,645)	(43,176)
Accrued compensated absences	18,935	(44,386)
Other liabilities	1,466,862	
Long-term debt		(6,617)
Due to other funds	1,732,413	727,072
Net cash provided by operating activities	<u>\$ 4,587,110</u>	<u>\$ 1,416,164</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

	Pension (and Other Post-Employment Benefits) Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 4,800,392	\$ 3,977,276
Investments, at fair value:		
Government obligations	20,505,140	3,146,823
Corporate bonds	55,273,925	
Common stock	187,038,309	
Real estate and other	28,252,868	
Total investments	<u>291,070,242</u>	<u>3,146,823</u>
Receivables, net	1,075,674	38,407
Due from other funds	100,860	298,722
Due from component units	201	63,368
Total assets	<u>297,047,369</u>	<u>7,524,596</u>
LIABILITIES		
Accounts payable	16,529	2,023,676
Deposits and escrow		3,640,698
Due to other funds	2,584,639	1,062,994
Due to component units		643
Due to other governmental units		796,585
Total liabilities	<u>2,601,168</u>	<u>7,524,596</u>
NET ASSETS		
Held in trust for post- retirement benefits	\$ <u>294,446,201</u>	\$ <u>-</u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2005

	Pension (and Other Post-Employment Benefits) Trust Funds
ADDITIONS	
Contributions:	
Plan members	\$ 805,142
Employer	7,976,817
Total contributions	<u>8,781,959</u>
Investment earnings:	
Net increase in fair value of investments	4,180,772
Interest	4,313,133
Dividends	2,689,902
Realized gain on sale of investments	12,292,441
Total investment earnings	<u>23,476,248</u>
Less investment expense:	887,243
Net investment earnings	<u>22,589,005</u>
Total additions	<u>31,370,964</u>
DEDUCTIONS	
Benefits	17,919,805
Health care expense	2,545,370
Administrative expense	503,668
Total deductions	<u>20,968,843</u>
Net increase	10,402,121
Net assets - beginning	<u>284,044,080</u>
Net assets - ending	<u><u>\$ 294,446,201</u></u>

The notes to the financial statements are an integral part of this statement.

City of Southfield
Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 2005

	Governmental					Totals
	Local Development Finance Authority	Tax Increment Finance Authority	Economic Development Corporation	Downtown Development Authority	Brownfield Re-development Authority	Joint Local Development Finance Authority
ASSETS						
Cash and cash equivalents	\$ 656,609	\$ 20,412	\$ 158,923	\$ 100,221	\$ 5,120	\$ 1,058,224
Investments		5,029,859		1,284,545		6,314,404
Receivables:						
Accrued interest	3,825	22,404	848	6,842	11	34,191
Other	45,040	98,959	600	209,437	29,017	383,053
Prepays				1,184		1,184
Due from fiduciary	643					643
Due from primary government	6,387	28,526		12,057		46,970
Total current assets	712,504	5,200,160	160,371	1,614,286	34,148	7,838,669
Capital assets:						
Land, Building and improvements				664,389		664,389
Machinery and equipment				82,794		82,794
Total capital assets	-	-	-	747,183	-	747,183
Less accumulated depreciation				(281,792)		(281,792)
Net capital assets	-	-	-	465,391	-	465,391
Total assets	712,504	5,200,160	160,371	2,079,677	34,148	8,304,060
LIABILITIES						
Accounts payable	8,248	1,158	1,201	39,657	7,769	58,033
Accrued payroll	1,066	220	2,167	6,557		10,010
Accrued compensated absences	1,638			1,727		3,365
Due to fiduciary	496	538	586	61,949		63,569
Due to primary government	1,038		999	93,175	7,500	102,712
Due to other governmental units		2,374,490				2,374,490
Total current liabilities	12,486	2,376,406	4,953	203,065	15,269	2,612,179
Noncurrent liabilities:						
Long-term advances from local improvement revolving fund	4,814,442			665,458		5,479,900
Accrued compensated absences	46,600			25,838		72,438
Total noncurrent liabilities	4,861,042			691,296		5,552,338
Total liabilities	4,873,528	2,376,406	4,953	894,361	15,269	8,164,517
NET ASSETS						
Invested in capital assets, net of related debt	(4,161,024)	2,823,754	155,418	719,925	18,879	465,391
Unrestricted						(325,848)
Total net assets	\$ (4,161,024)	\$ 2,823,754	\$ 155,418	\$ 1,185,316	\$ 18,879	\$ 139,543

The notes to the financial statements are an integral part of this statement.

City of Southfield
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Discretely Presented Component Units
For the Year Ended June 30, 2005

	Governmental						
	Local Development Finance Authority	Tax Increment Finance Authority	Economic Development Corporation	Downtown Development Authority	Brownfield Re-development Authority	Joint Local Development Finance Authority	Totals
OPERATING REVENUES							
Taxes	\$ 1,073,967	\$ 1,251,289	\$	\$ 745,775	\$	\$ 116,478	\$ 3,187,509
Charges for services				312,402	12,241		324,643
Other				41,792	31,017		72,809
Total operating revenues	1,073,967	1,251,289	-	1,099,969	43,258	116,478	3,584,961
OPERATING EXPENSES							
Current:							
Administration	49,864	31,112		745,422	29,057		855,455
Community improvement	54,610		\$ 20,176				74,786
Interest	30,983						30,983
Depreciation				36,496			36,496
Other	15,395	4,196	5,250				24,841
Total operating expenses	150,852	35,308	25,426	781,918	29,057	-	1,022,561
Operating income (loss)	923,115	1,215,981	(25,426)	318,051	14,201	116,478	2,562,400
NONOPERATING REVENUES							
Investment income	22,412	72,590	4,444	24,183	74	722	124,425
Change in net assets	945,527	1,288,571	(20,982)	342,234	14,275	117,200	2,686,825
Total net assets (deficit) - beginning	(5,106,551)	1,535,183	176,400	843,082	4,604	-	(2,547,282)
Total net assets (deficit) - ending	(4,161,024)	2,823,754	155,418	1,185,316	18,879	117,200	139,543

The notes to the financial statements are an integral part of this statement.

CITY OF SOUTHFIELD

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

Incorporation of city

The City of Southfield was incorporated on April 28, 1958, under the provisions of Act 279, P.A. 1909, as amended ("Home Rule City Act"). The City operates under a council/administrator form of government and provides the following services as authorized by its charter: public safety, public works, culture, recreation and community development.

The basic financial statements of the City of Southfield (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles and are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The City's more significant accounting policies are described below.

A. Reporting entity

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations given the level of financial interdependence with the City. Data from these units are combined with data of the City ("primary government"). Each discretely presented component unit, on the other hand, is legally separate with a board appointed by the City. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable and, as such, has included them within the City's financial statements. In accordance with GASB Statement No. 14, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose a specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Data from these units is segregated from the primary government in the combined financial statements. Each blended and discretely presented component unit's financial information has been included based upon a June 30 year-end except for Southfield Non-profit Housing which numbers were based upon a December 31 year end.

Blended Component Units: The following component units have been blended into the City's basic financial statements:

- City of Southfield Library Building Authority
- City of Southfield Building Authority
- Southfield Employee Retirement System
- Fire and Police Retirement System
- Retiree Health Care & Benefits Trust

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

A. Reporting entity (continued)

The Southfield Library Building Authority Board consists of 6 members appointed by City Council, thereby appointing a voting majority. In addition, the repayment of the Southfield Library Building Authority's bonds is financed through an operating millage for library operations. The Southfield Building Authority Board consists of 4 members appointed by City Council, and the City Administrator, thereby appointing a voting majority. The Building Authorities are reported as a Governmental Fund type. The Southfield Employee Retirement System Board consists of 3 members appointed by City Council, 1 member appointed by the Mayor, 2 members elected by active members and 1 member elected by retirees, thereby appointing a voting majority. The Southfield Fire and Police Retirement System Board consist of 2 members appointed by City Council, the City Treasurer, one member from elected active police rank and one member elected from the active fire ranks, thereby appointing a voting majority. The Retiree Health Care & Benefits Trust Board consists of 11 members. It is made up of the Fire and Police Retirement Board and the City Administrator, thereby, the City appoints a voting majority. The Southfield Employee Retirement System, the Fire and Police Retirement System and the Retiree Health Care & Benefits Trust are reported as Fiduciary Fund types.

Discretely Presented Component Units: The Component Unit columns in the combined financial statements include the financial data of the City's other component units. They are reported in separate columns to emphasize that they are legally separate from the City. The following Component Units are included in the reporting entity because the primary government is financially accountable and is able to impose its will on the organization.

Downtown Development Authority
Economic Development Corporation
Tax Increment Finance Authority
Local Development Finance Authority
Brownfield Redevelopment Authority
Southfield Nonprofit Housing Corporation

Downtown Development Authority: The Downtown Development Authority has a 13-member board, appointed by the Mayor, committed to the economic development of the designated downtown district in and around the Northland Center. This Authority was formed under Public Act 1975, No. 197, and is funded through a 2-mill tax levy on all real and personal property within the district. The discretely presented component unit is reported as a governmental fund type.

Economic Development Corporation ("EDC"): The Economic Development Corporation ("EDC") was formed in February of 1980, in accordance with the State of Michigan Public Act 338 of 1974, for the purpose of stimulating economic activity in the City of Southfield upon which the EDC is fiscally dependent on the City of Southfield. Industrial projects ultimately approved by the Economic Development Corporation are financed through the sale of Industrial Revenue Bonds. In addition, the EDC offers loans and participates in other economic development and rehabilitation programs. The discretely presented component unit is reported as a governmental fund type.

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

A. Reporting entity (continued)

The Tax Increment Financing Authority: The Tax Increment Financing Authority ("TIFA") was organized pursuant to the State of Michigan, Public Act 450 of 1980. Its primary purpose is to finance and develop public improvements to promote growth and increase property tax valuation. Any new or additional assessed value in the development district is declared "captured assessed value." The property taxes collected thereon are transferred to the Authority as "tax increment revenues" and used to finance the development plan. The discretely presented component unit is reported as a governmental fund type.

Local Development Finance Authority: The Local Development Finance Authority ("LDFA") was organized on September 25, 1989 pursuant to the State of Michigan Public Act 281 of 1986. The LDFA is similar to the TIFA, but is restricted to industrial and manufacturing areas. The primary purpose of the Authority is to finance and develop public improvements to promote growth and increase property tax valuation. This purpose is accomplished by the Authority designing a development district and analyzing the property to determine the initial assessed value. Any new or additional assessed value, whether from new construction or increased market value, is declared "captured assessed value." The property taxes collected thereon are transferred to the Authority as "tax increment revenues" and used to finance the development plan. The discretely presented component unit is reported as a governmental fund type.

Brownfield Redevelopment Authority: The Brownfield Redevelopment Authority is a corporate public body, created by the State of Michigan under Public Act 381 of 1996, consisting of the serving members of the Local Development Financing Authority (LDFA). Its purpose is to promote the revitalization of environmentally distressed, blighted and functionally obsolete properties through the use of tax increment financing.

Southfield Nonprofit Housing Corporation: The Corporation is organized as a nonprofit corporation formed on February 1, 1973, to provide housing for persons of low and moderate income in the City of Southfield. The City appoints a voting majority of the Corporation and is able to impose its will on the Corporation. The discretely presented component unit is reported as a Proprietary Fund type.

The City assesses, collects and distributes property taxes for several school districts, including the Southfield Public Schools. These districts are not included in these financial statements because they are entities with independently elected Boards of Education who establish their own millage rates and are responsible for all financial control, including budgeting and operating surpluses and deficits.

Complete financial statements can be obtained from the office of:

Tama, Budaj & Raab, P.C.
Certified Public Accountants
32783 Middlebelt Road
Farmington Hills, MI 48334-1726

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

B. Basis of presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories: Invested in capital assets, net of related debt, Restricted net assets and Unrestricted net assets. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets. Restricted net assets result when constraints place on net asset use are either externally imposed by creditors, grantors, contributors and the like, or imposed by law.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources which are imposed by management, but can be removed or modified.

The statement of net assets and the statement of activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the Governmental Accounting Standards Board Statement 33.

The statement of net assets and the statement of activities display information about the City as a whole. The statements include all funds of the primary government and its component units, except for its fiduciary funds. Those funds are reported in the statements of fiduciary net assets and changes in fiduciary net assets.

The statement of net assets and the statement of activities are presented to distinguish between governmental and business type activities of the City. Governmental activities are financed through taxes, intergovernmental revenues and other non-exchange revenues. These activities are reported in governmental and internal service funds. For the most part, the effect of interfund activity has been removed from these statements. Business type activities are financed by fees charged to external parties for goods or services. These activities are reported in the City's enterprise funds.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Capital assets are reported in the government wide statements at historical cost. Capital assets include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment and all other tangible or intangible assets that are used in operations and have initial useful lives beyond a single reporting period and cost over \$500. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets.

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

B. Basis of presentation (continued)

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the asset. Assets are depreciated on an individual basis for equipment and buildings.

GOVERNMENTAL FUNDS

The city reports the following major governmental funds:

GENERAL FUND: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

ROAD CONSTRUCTION FUND: The Road Construction Fund accounts for the construction of road improvements. Proceeds are from Michigan Transportation fund bonds.

The city reports the following major proprietary fund:

ENTERPRISE FUND: The Enterprise Fund is used to account for (1) operations that are financed and operated in a manner similar to business enterprises - where the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, and (2) operations where the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Water and Sewer Fund: Water sales support the purchase of water from the Southeastern Oakland County Water Authority and the installation and maintenance of meters and mains throughout the City. Sewer disposal charges to customers pay for treatment of sewerage and fund installation and maintenance of sanitary sewers in the EVERGREEN area (west of Southfield Road) and of combined sanitary and storm sewers on the "SEOCSDS" area (east of Southfield Road).

Additionally, the city reports the following fund types:

(a) Governmental Funds

- **Special Revenue Funds:** Special Revenue Funds are used to account for the proceeds of special revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.
- **Debt Service Funds:** Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.
- **Capital Projects Funds:** Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. Budget authority for capital projects is either included in the annual City of Southfield Municipal Budget or is established by the City Council as capital project bids are confirmed.

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

B. Basis of presentation (continued)

(b) Proprietary Funds

- Internal Service Funds: Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Generally accepted accounting principles for proprietary funds are similar to those applicable to a business enterprise in the private sector.

(c) Fiduciary Funds

- Trust and Agency Funds: Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable, Pension Trust Funds and Agency Funds. Expendable Trust funds are accounted for and reported as Governmental Funds.

46th District Court: The district court operates in an agency capacity and collects fine and fee revenues and distributes them to the appropriate governmental unit or agency. The City is the District Control Unit for the district court, and it provides all facilities, services and payroll expenses required for the proper functioning of the district court.

C. Basis of accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected within 60 days after year end to pay liabilities of the current period. Significant revenues susceptible to accrual include reimbursement grants, state shared revenues and charges for services.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred provided the liability normally would be liquidated with expendable available financial resources. The major exception to this general rule is principal and interest on long-term debt which is recognized when due and paid.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus. This means that generally only current assets and current liabilities are included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available, spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds and the pension trust funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or non-

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

C. Basis of accounting (continued)

current) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Proprietary and Pension Trust funds use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Assets, liabilities, and equity

(a) **Investments:** For the fiscal year ended June 30, 2005, the City of Southfield adopted Government Accounting Standards Board Statement No. 40, Deposits and Investment Risk disclosures, which established more comprehensive disclosure requirements regarding risks of deposits and investments. This implementation in 2005 had no effect on the City's net assets at June 30, 2005. Long-term investments are stated at fair value, in accordance with ("GASB") Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

This statement establishes standards for reporting investments at fair value. The City considers investments with an original maturity when purchased of three months or less to be cash equivalents.

(b) **Interfund receivables/payables:** During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term receivables and payables resulting from such transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet. Any residual balances between the government activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a reservation of fund balance.

(c) **Inventories:** Inventories are stated at first-in, first-out cost method and are accounted for using the purchasing method in Governmental Funds and the consumption method in the Proprietary Funds.

(d) **Capital Assets:** Capital assets which include property and equipment are stated at historical cost or, if donated, fair market value at the date of donation. Expenditures which materially extend the useful life of existing properties are capitalized. All costs relating to the construction of facilities are capitalized, including salaries, employee benefits and bond interest costs. Certain governmental improvements, including roads, bridges, storm sewers and sidewalks are not capitalized. Drain usage rights are capitalized assets relating to City drains that are maintained by Oakland County. In accordance with GASB 34 the City has elected to defer the infrastructure portion of the pronouncement.

Depreciation is recorded for property and equipment recorded in Proprietary Funds using the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives are:

Water mains	50 years
Equipment	2-10 years
Drain Usage rights	50 years

City of Southfield

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

D. Assets, liabilities, and equity (continued)

Depreciation of property and equipment contributed by entities independent of the City (such as construction contractors) is charged to fund operations.

(e) **Compensated Absences:** The City recognizes expenditures and liabilities in Governmental Funds for the accrued vacation and sick pay that is expected to be liquidated with available spendable resources.

The remaining amount of the unpaid vacation and sick pay has been recognized in the Statement of Net Assets as non-current liabilities. The unpaid vacation and sick pay attributable to Proprietary Funds has been accrued therein in its entirety.

(f) **Fund equity:** In the financial statements, governmental funds report reservations of fund equity not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

2. COMPLIANCE AND ACCOUNTABILITY

A. **Budgetary Data:** The preparation of the budget begins in October with the establishment of written goals and parameters through the City Administrator's Office and the distribution of budget instructions by the Office of Management and Budget. The remaining steps and deadlines are strictly outlined in the City Charter:

- On or before March 1 – Each department head must submit a departmental budget to the City Administrator.
- On or before April 1- the Administrator shall submit the budget to the Mayor.
- On or before the first regular Council meeting in May - the Mayor shall submit the budget to Council.
- Not later than the third week in June - the Council shall adopt a budget by an affirmative vote of at least five members, at a Special Budget Meeting called for such purposes.
- The City's fiscal year begins July 1.
- The public is kept well informed throughout the budget process through the issuance of press releases, availability of budget documents at both the City Clerk's Office and Southfield Public Library at various stages in the formulation process, and creation of a budget summary videotape which plays periodically on the City's cable television station. Citizens are encouraged to actively participate in all public hearings.
- The individual department head is authorized to transfer budgeted amounts within the respective appropriation unit (e.g., Treasurer's Office), unless the transfer involves personnel or capital line items, in which case, the approval of the Director of Financial Services or the City Administrator is also required. However, any revisions that alter an appropriation unit's total budget must be approved by City Council. Such budget adjustments took place, as authorized by the City Council, for the year ended June 30, 2005, and the budgetary data reflects the effect of those amendments.
- Appropriations for the fiscal year lapse every June 30. Council may re-appropriate any amount at its discretion.

City of Southfield

Notes to Financial Statements

2. COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Data (continued)

- Budgets are legally adopted on an activity basis for the General, Special Revenue and some Debt Service Funds. These budgets are prepared on the same basis of accounting as used for actual results. Capital Projects and the remainder of the Debt Service Funds are approved by City Council on a project length basis, with annual expenditures included within Governmental Fund appropriation units. Budgets and actual comparisons are not reported in the Financial Statements for those funds where no annual budgets are prepared.

B. Individual Fund and Component Unit Disclosures

The following individual funds and component units have an accumulated deficit at June 30, 2005:

Capital Projects Fund

Special Assessment Construction Fund (163,805)

Component Units

Local Development Finance Authority (4,161,024)

The Special Assessment Construction Fund deficit arose from expenditures made on a new sidewalk project which was funded with a long term advance from the Local Improvement Revolving Fund. Scheduled repayment of the 10 year special assessment began January 2004.

The deficit in Local Development Finance Authority arose from expenditures for an industrial park at Lahser and 8 Mile which was funded with a long term advance from "LIRF" scheduled to be repaid by fiscal year 2007.

3. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Investments

(1) Deposits

At year-end, the amount of the primary government, component unit and agency funds' (the City) deposits were \$5,134,761. Such deposits included certificates of deposit with a carrying amount and bank balance of \$802,705. Including certificates of deposits, \$1,003,307 was covered by federal depository insurance. A balance of \$4,131,454 is uninsured and uncollateralized and subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits might not be recovered. The City uses an independent rating firm to rate both depository banks and those with which certificates of deposit are placed. The financial position of all banks is reviewed quarterly by City staff.

The Fiduciary funds do not maintain any checking or other demand deposit accounts. Any amounts reported as cash and cash equivalents in the statement of plan net assets are composed of short-term investments in money market accounts.

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Investments (continued)

(2) Investments

Statutes authorize the City to invest in obligations of the U. S. Treasury, agencies and instrumentalities, commercial paper rated in the two highest classifications established by not less than two standard rating services, bankers acceptances, repurchase agreements and reverse repurchase agreements. However, the City employs a more conservative investment policy and invests only in the highest rated commercial paper.

The City participates only with qualified banks and primary investment firms that adhere to the specific guidelines established by industry practice for repurchase agreements. Guidelines require that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreement. The market value of securities underlying repurchase agreements did not fall below this required level during the year.

The percentage of the governmental and business type bank pooled investment funds held at year-end was approximately 17% of its total investments. Due to higher cash flows at certain times during the year, the primary government's investment in bank pooled investment funds fluctuates. Although the City is authorized to invest in reverse repurchase agreements, it has chosen not to do so.

The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended authorizes the pension trust funds to invest in stocks, government and corporate securities, mortgages, real estate and various other investment instruments, subject to certain limitations. Various professional investment managers are contracted to assist in the managing of these funds' assets. All investment decisions are subject to Michigan law.

(3) Investment Risk

(a) **Credit risk:** The City has \$20,857,100 invested in U.S. Treasury securities and \$32,269,550 in U.S. Agencies, both of which are rated AAA by Standard and Poor's and Aaa by Moody's. The City's investment policy limits the investments in commercial paper to the highest rated Standard and Poor's A-1+ and Moody's P-1 rating. The City had \$998,740 invested in commercial paper.

(b) **Custodial Credit Risk:** The risk that in the event of a counterparty failure, the City of Southfield would not be able to recover the value of its investments in the possession of the failing party. The City's investment policy requires all investment transactions be conducted on a delivery versus payment basis. All securities, evidenced by a safekeeping receipt, shall be held by a third party custodian.

(c) **Concentration of Credit Risk:** The risk of loss attribute to the magnitude of a governments investment in a single issuer. The City had 32.04% of its investment portfolio in U. S. Treasury Notes and 49.58% in U.S. Instrumentalities. In Instrumentalities, the City held 4.5% of it investment portfolio with the Federal Farm Credit Banks, 19.86% with Federal Home Loan Bank, 16.03% with Fannie Mae and 9.16% with Freddie Mac. While these investments make up 81.62% of the total portfolio, there are a backed by the full faith and credit of the United States government.

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Investments (continued)

(d) **Interest Rate Risk:** The risk that changes in the interest rates will adversely affect the fair value of an investment. The City uses an active portfolio manager to assist in investing its funds. In addition, the City's investment policy prohibits investing in any securities that have a maturity date greater than five years from purchase date. The City's investment portfolio has a weighted average maturity of 383 days and nearly 50% is in the 1 to 2 year distribution.

Southfield Employees Retirement System (SERS)

(a) **Credit risk:** SERS' investments are authorized by City Council and administered by a seven member board. In order to show credit risk the credit quality ratings, at June 30, 2005, for the portfolio was rated by Standard and Poor's as follows:

<u>Rating</u>	<u>Market Value</u>
AAA	10,795,949
AA	228,655
AA-	284,764
A+	1,228,811
A	1,640,095
A-	809,930
BBB+	641,877
BBB	1,092,401
BBB-	284,445
BB+	565,535
BB	276,625
Not Rated	69,139,684
Total	<u>86,988,771</u>

(b) **Custodial credit risk:** For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the SERS will not be able to recover the value of its investments that are in the possession of the an outside party. SERS requires that investment securities be held in trust by a third party institution in its name. Although uninsured and unregistered, these investments are not exposed to custodial credit risk since they are being held in the trust department in SERS' name.

(c) **Concentration of credit risk:** At June 30, 2005, \$7,293,888 was invested in United States Treasuries comprising 8.4 percent of investments. In addition, \$38,802,450 or 44.6 percent of investments was placed in a mid-cap index fund awaiting reallocation to active managers.

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Investments (continued)

While diversification of fixed income securities is required, no specific percentages of amounts by industry or issuer are required. The SERS' investment policy limits debt securities so that no more than 10 percent of an issue or issuer may be retained in the portfolio at any time. The duration of the portfolio was 3.4 years.

(d) **Interest Rate risk:** As of June 30, 2005, maturities of the SERS' debt securities were as follows:

<u>Maturity distribution</u>		
Less than one year	20	%
One to five years	59	
Five to ten years	9	
Ten to twenty years	12	
Total	<u>100</u>	%

(e) **Securities lending:** The SERS via a securities lending agreement authorized Comerica Bank to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. During the fiscal year, Comerica lent securities and received United States currency as collateral. Borrowers were required to deliver collateral for each loan equal to but not less than one hundred percent of the market value of the loaned securities. No borrowers failed to return loaned securities or pay distributions this fiscal year. No losses were incurred as a result of a defaulting borrower. The collateral held and the fair market value of underlying securities on loan for the SERS' as of June 30, 2005 were \$6,603,131 and \$6,432,477 respectively.

Southfield Fire and Police Retirement System (SFPRS)

(a) **Credit risk:** SFPRS' investments are authorized and administered by a five member board. In order to show credit risk the credit quality ratings, at June 30, 2005, for the portfolio as rated by Standard and Poor's were as follows:

Rating	Market Value
AAA	1,634,776
AA	2,397,635
A	8,177,260
BBB	2,989,643
BB	1,278,186
Not Rated	<u>181,210,124</u>
Total	<u>197,687,624</u>

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Investments (continued)

(b) **Custodial credit risk:** For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the SFPRS will not be able to recover the value of its investments that are in the possession of the an outside party. SFPRS requires that investment securities be held in trust by a third party institution in its name. Although uninsured and unregistered, these investments are not exposed to custodial credit risk since they are being held in the trust department in SFPRS' name.

(c) **Concentration of credit risk:** At June 30, 2005, no one issue or issuer exceeded five percent of the portfolio. While diversification of fixed income securities is required, no specific percentages of amounts by industry or issuer are required. The SFPRS investment policy limits debt securities so that no more than 5 percent of an issue or issuer may be retained in the portfolio at any time excluding U.S. Treasury and Agency securities.

(d) **Interest Rate risk:** As of June 30, 2005, maturities of the SFPRS' debt securities were as follows:

<u>Maturity distribution</u>		
Less than one year	3.2	%
One to six years	35.8	
Six to ten years	21.2	
Greater than ten years	39.8	
Total	<u>100.0</u>	%

(e) **Securities lending:** The SFPRS via a securities lending agreement authorized Northern Trust to lend its securities to broker-dealers and banks pursuant to a form of loan agreement. Borrowers were required to deliver collateral for each loan equal to but not less than one hundred percent of the market value of the loaned securities. No borrowers failed to return loaned securities or pay distributions this fiscal year. No losses were incurred as a result of a defaulting borrower. The collateral held and the fair market value of underlying securities on loan for the SFPRS as of June 30, 2005 were \$17,820,054 and \$17,368,799 respectively.

Southfield Retiree Health Care & Benefits Trust System (SHCBTS)

SHCBTS' investments are authorized and administered by an eleven member board. At June 30, 2005, the entire portfolio was indexed in Comerica Collective Funds. Although uninsured and unregistered, these investments are not exposed to custodial credit risk since they are being held in the trust department in SHCBTS' name.

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

The major components of receivables as reported on the Statement of Net Assets as of June 30, 2005 were as follows:

	Delinquent taxes	Accrued interest	Accounts	Accrued revenue	Special assessments	Total
Governmental activities:						
General fund	\$ 3,820,572	\$ 82,455	\$ 229,278	\$ 3,935,660		\$ 8,067,965
Road Construction		12,567				12,567
Other Non-major funds	845,507	152,083	1,202,969	2,113,593	\$ 1,156,173	5,470,325
Total governmental activities	\$ 4,666,079	\$ 247,105	\$ 1,432,247	\$ 6,049,253	\$ 1,156,173	\$ 13,550,857
Business-type activities:						
Internal Service funds		\$ 133,344	\$ 6,906			\$ 140,250
Water fund		14,305	9,794,817			9,809,122
Total business-type activities		147,649	9,801,723			9,949,372

The only receivable not expected to be collected within one year is the delinquent taxes.

B. Receivables

C. Capital assets

	Balance July 1, 2004	Additions	Disposals	Balance June 30, 2005
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 11,990,726	\$ 568,359		\$ 12,559,085
Construction in progress				
Total capital assets not being depreciated	11,990,726	568,359		12,559,085
Capital assets, being depreciated				
Land improvements	8,283,240	367,686		8,650,926
Building and improvements	79,898,005	2,861,962		82,759,967
Drain usage rights		1,630,097		1,630,097
Equipment	13,549,323	607,041	310,559	13,845,805
Total capital assets being depreciated	101,730,568	5,466,786	310,559	106,886,795
Less accumulated depreciation				
Land improvements	3,685,697	340,461		4,026,158
Building and improvements	16,637,571	1,502,313		18,139,884
Equipment	4,167,841	1,195,330	40,114	5,323,057
Total accumulated depreciation	24,491,109	3,038,104	(a) 40,114	27,489,099
Total capital assets being depreciated, net	77,239,459	2,428,682	270,445	79,397,696
Governmental activity capital assets, net	\$ 89,230,185	\$ 2,997,041	\$ 270,445	\$ 91,956,781

(a) Depreciation expense was charged to governmental activities as follows:

	General
General government	\$ 707,890
Public safety	479,102
Highways and streets	57,187
Culture and recreation	1,793,925
Total	\$ 3,038,104

City of Southfield **Notes to Financial Statements**

3. DETAILED NOTES ON ALL FUNDS

C. Capital assets

A summary of proprietary fund-type property and equipment at June 30, 2005, follows:

Enterprise:

Water and Sewer Fund

Equipment and Vehicles	\$	1,245,415
Infrastructure		<u>113,285,679</u>
Total		114,531,094
Less: Accumulated Depreciation		<u>29,279,862</u>
Total Capital Assets	\$	<u><u>85,251,232</u></u>

		Equipment and Vehicles	Less: Accumulated Depreciation	Total Capital Assets
Internal Service:				
Facilities Maintenance	\$	602,480	\$ 300,481	\$ 301,999
Motor Pool		13,756,120	10,368,023	3,388,097
Equipment Revolving		<u>10,060,160</u>	<u>6,810,657</u>	<u>3,249,503</u>
Total Internal Service	\$	<u><u>24,418,760</u></u>	\$ <u><u>17,479,161</u></u>	\$ <u><u>6,939,599</u></u>

A summary of discretely presented component unit property and equipment at June 30, 2005, follows:

Discretely presented component unit

Buildings and Improvements	\$	664,389
Equipment		<u>82,794</u>
Total		747,183
Less: Accumulated Depreciation		<u>281,792</u>
Total Capital Assets	\$	<u><u>465,391</u></u>

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

D. Long-Term Debt and Other Obligations

The city issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both the governmental and business-type activities. For purposes of this exhibit, the portion of debt due within a year is included in the total.

	Balance			Principal	
	July 1, 2004	Additions	Deductions	June 30, 2005	Due within one year
Primary government:					
General obligation debt					
2.5% to 5.375 % Drains-at-large, City's share of county debt	\$ 8,894,790	\$ 1,630,097	\$ 475,703	\$ 10,049,184	\$ 426,196
4.75% to 5.5% Library Building Authority General Obligation Limited Tax	29,575,000	27,630,000	27,525,000	29,680,000	450,000
2.5% to 4.5% - 2003 General Obligation Limited Tax	4,900,000			4,900,000	
5.3% to 5.5% Building Authority bonds	225,000		225,000		
3.25% to 4.0% Michigan Transportation Fund bonds		12,500,000		12,500,000	
Total general obligation debt	43,594,790	41,760,097	28,225,703	57,129,184	876,196
Installment purchase agreement	1,723,010		266,358	1,456,652	274,355
Compensated absences	9,201,673	748,508	271,311	9,678,870	600,070
Total primary government long-term debt	\$ 54,519,473	\$ 42,508,605	\$ 28,763,372	\$ 68,264,706	\$ 1,750,621
Enterprise funds					
State of Michigan water supply and sewage disposal revenue bonds series 1999 (LTGO) 2.25 to 2.5 %	\$ 33,418,789		\$ 1,605,000	\$ 31,813,789	\$ 1,660,000
3.05 % to 6.5 % Evergreen/Farmington sewer disposal system bonds, City's share of county debt	5,475,974		755,377	4,720,597	914,682
Compensated absences	309,578	\$ 61,252	42,318	328,512	31,307
Total enterprise funds long-term debt	39,204,341	61,252	2,402,695	36,862,898	2,605,989
Internal Service funds					
Capital lease	6,617		6,617		
Compensated absences	652,931	50,081	94,467	608,545	35,708
Total Internal Service funds long-term debt	659,548	50,081	101,084	608,545	35,708
Component units debt (with City commitment)					
Capital lease (DDA auto lease)	4,898		4,199	699	699
Compensated absences:					
Downtown Development Authority	12,322	16,298	1,055	27,565	1,727
Local Development Finance Authority	45,151	3,223	136	48,238	1,638
Total component units debt (with City commitment)	62,371	19,521	5,390	76,502	4,064
7.6 % to 8.5 % mortgage payable nonprofit housing corporation	13,057,392		423,524	12,633,868	458,505
Total component unit long-term debt	13,119,763	19,521	428,914	12,710,370	462,569
Total debt	\$ 107,503,125	\$ 42,639,459	\$ 31,696,065	\$ 118,446,519	\$ 4,854,887

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

D. Long-Term Debt and Other Obligations (continued)

The City has pledged its full faith and credit for the bonded indebtedness of the City of Southfield Building Authority, Southfield Library Building Authority, Tax Increment Finance Authority and Local Development Finance Authority.

The Economic Development Corporation ("EDC") has issued revenue bonds collateralized by a promissory note from certain commercial enterprises receiving the proceeds of the bonds. Since the EDC has assigned its interest in the notes receivable to the trustees of the revenue bonds, and since the revenue bonds are not an obligation of the City, the revenue bonds and related notes receivable have not been reflected in the combined financial statements of the City.

By statute, the City's general obligation and component unit debt in the aggregate is restricted to 10% of the state equalized value of all property within the City. The City's special assessment debt is restricted to 12%. The City currently has no outstanding special assessment debt. For the current year, the state equalized value of the property within the City was \$4,184,195,490. The City has issued and outstanding \$61,849,781 of general obligation bonds, subject to a limit of \$404,080,824.

The annual requirements (excluding the liabilities for compensated absences and lease contracts) to pay principal only and to pay principal and interest combined ("P&I") on debt outstanding at June 30, 2005 (in thousands of dollars) are as follows:

	General obligation debt		Business-type Water & Sewer		Nonprofit Housing Corporation	
	Prin.	P&I	Prin.	P&I	Prin.	P&I
2005 *					\$ 458	\$ 1,308
2006	\$ 876	\$ 3,230	\$ 2,565	\$ 3,542	477	1,308
2007	1,411	3,792	2,592	3,466	516	1,308
2008	1,814	4,149	2,796	3,608	559	1,308
2009	1,929	4,201	2,919	3,640	605	1,308
2010	2,055	4,258	2,383	3,006	655	1,308
2011	2,191	4,317	2,011	2,576	709	1,308
2012	2,325	4,375	1,920	2,436	768	1,308
2013	2,478	4,444	1,960	2,429	831	1,308
2014	2,635	4,508	2,015	2,437	900	1,308
2015	2,797	4,572	2,065	2,438	984	1,308
2016	2,961	4,622	2,120	2,443	956	1,213
2017	3,134	4,675	2,170	2,442	751	929
2018	3,337	4,743	2,225	2,445	817	929
2019	3,525	4,799	2,267	2,433	635	703
2020	3,717	4,837	2,215	2,326	233	250
2021	2,635	3,595	1,565	1,623	1,780	2,345
2022	2,707	3,545	747	765		
2023	2,613	3,325				
2024	2,129	2,719				
2025	1,665	2,158				
2026	1,655	2,065				
2027	1,650	1,977				
2028	1,640	1,884				
2029	1,630	1,792				
2030	1,615	1,696				
Total	\$ 57,124	\$ 90,276	\$ 36,534	\$ 44,057	\$ 12,634	\$ 20,757

* Payments due after 12/31/04

City of Southfield
Notes to Financial Statements
3. DETAILED NOTES ON ALL FUNDS

E. Interfund Receivables and Payables

Interfund receivable and payable balances related to the primary government funds at June 30, 2005 are as follows:

Fund	Due from other funds	Due to other funds
GOVERNMENTAL FUNDS		
Major Funds		
General Fund	\$ 7,247,347	\$ 2,179,763
PROPRIETARY FUNDS		
Enterprise Fund		
Water and sewer	-	1,901,887
Internal Service Funds		
Motor pool	1,561,761	63,901
Equipment revolving	364,051	-
Facilities maintenance	1,242,247	534,864
Insurance risk retention	250,000	196
Local improvement revolving	43,593	303,874
FIDUCIARY FUNDS		
Pension (and other post-employment benefits)		
Trust funds		
Fire and Police	1,785	1,463,284
Employee retirement	21,961	1,121,355
Retiree health care benefits plan and trust	77,114	-
Agency Funds		
Imprest payroll	298,722	984,400
Deposits and escrow	-	78,594
NON-MAJOR GOVERNMENTAL FUNDS		
Special Revenue Funds		
Parks and recreation	204,001	1,002,373
Library	345	461,214
Block grant	-	559,645
Auto theft grant	-	51,582
Major street	906,140	714,752
Local street	418,564	552,567
Municipal street	-	989,800
Drug law enforcement	-	20,706
Section 8 housing	1,241	26,878
Cable television	500	42,712
Michigan works grants	-	782,794
Grants	300,000	164,429
Donations and memorial trusts	13,379	7,312
Debt Service Funds		
Special assessment debt	108,772	25,000
Building authority debt	2,474	-
Capital Project Funds		
Capital improvement	610,567	-
Special assessment construction	469,610	458,897
Building authority construction	350,000	
Library building authority construction	-	1,395
Total	\$ 14,494,174	\$ 14,494,174

City of Southfield

Notes to Financial Statements

3. DETAILED NOTES ON ALL FUNDS

E. Interfund Receivables and Payables (continued)

Interfund receivable and payable balances between the primary government and discretely presented component units at June 30, 2005 are as follows:

	Due from other funds	Due to other funds
GOVERNMENTAL FUNDS		
Major Funds		
General Fund	\$ 9,537	\$ 46,970
PROPRIETARY FUNDS		
Internal Service Funds		
Local improvement revolving	24,399	-
FIDUCIARY FUNDS		
Pension (and other post-employment benefits)		
Employee retirement	140	-
Retiree health care benefits plan and trust	61	-
Agency Fund		
Imprest Payroll Fund	63,368	643
NON-MAJOR GOVERNMENTAL FUNDS		
Special Revenue Funds		
Major street	68,776	-
	<u>\$ 166,281</u>	<u>\$ 47,613</u>
COMPONENT UNITS		
Economic Development Authority	\$ -	\$ 1,585
Brownfield Re-development Authority	-	7,500
Downtown Development Authority	12,057	155,124
Tax Increment Finance Authority	28,526	538
Local Development Finance Authority	7,030	1,534
Total	<u>\$ 47,613</u>	<u>\$ 166,281</u>

Long-term advances by the Local Improvement Revolving Fund to other primary government funds and component units are as follows:

PRIMARY GOVERNEMENT		
Governmental		
Special Revenue		
Grants Fund	\$	<u>150,000</u>
Capital projects		
Special Assessment Construction Fund	\$	<u>1,441,258</u>
Capital Improvement Fund		<u>2,195,763</u>
Total	\$	<u>3,637,021</u>
Business-type		
Water and Sewer Fund	\$	<u>600,000</u>
COMPONENT UNITS		
Governmental		
Local Development Finance Authority	\$	<u>4,814,442</u>
Downtown Development Authority		<u>665,458</u>
Total	\$	<u>5,479,900</u>
Proprietary		
Nonprofit Housing Corporation	\$	<u>412,284</u>

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

A. Fund Balance or Reserves

	June 30, 2005
General Fund	
Subsequent year's expenditures	\$ 1,967,873
Specific programs	
Capital projects	1,275,000
Dispatch improvements	350,591
Economic development	1,200,000
Economic development/roads	100,000
Emergency clean up	508,846
Equalization reserve	1,400,000
Reserve for transfer to civic center improvement fund	-
Reserve for future budgetary needs	1,400,000
Residential program initiatives	200,000
Right-of-way funds/Metro Authority	130,849
Technological improvements	434,714
Designated for specific programs	\$ 7,000,000
Special Revenue Funds	
Parks and Recreation	
Bedford Woods (Cell phone tower)	\$ 54,975
Handicapped programs	12,818
SMART programs	31,552
Designated for specific programs	99,345
Library	
Capital projects	554,676
Residential program initiatives	29,754
Technological development	133,633
Designated for specific programs	718,063
Cable Television, equipment replacement	250,000
Total special revenue designated for specific programs	\$ 1,067,408
Capital projects reserve	
Parks & Recreation	80,613
Drug Law Enforcement	88,145
Total special revenue designated for capital projects	\$ 168,758
Capital Projects Funds designated for	
Capital Improvement fund projects (technology)	\$ 8,416
Building Authority Construction fund projects	28,952
Library Building Authority Construction fund projects	2,576,772
Designated for capital projects	\$ 2,614,140

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

B. Property Taxes

Property taxes are levied each July 1 on the taxable value of property, as equalized by the State at 50% of estimated market value as of the preceding December 31 and subject to the tax limitations prescribed by state law. The state equalized valuation of real and personal property located in the City, based on the December 31, 2003 valuation, was \$4,184,195,490 and the taxable value was \$3,386,748,000. The City's operating tax rate was 6.6094 mills which is the charter limit. In addition, extra voted and other authorized millage for special operations, pensions, expansion and debt retirement brought the total tax rate for the City to 16.1838 mills.

In 1994, Proposal A/Public Act 415 was approved by Michigan voters. It requires that annual increases in the taxable value of individual properties that remain in the same ownership be limited to the lesser of five percent or the rate of inflation. Properties are adjusted to market value for purposes of property taxation only at the time of sale or transfer. Utilizing a 2004 rate of inflation cap of 2.3%, the City of Southfield's 2004-05 State Equalized Evaluation ("SEV") of \$4,184,195,490 was capped at a Taxable Assessed Valuation ("TAV") of \$3,386,748,000.

Taxes are due July 1 and December 1 (the lien dates) and are collectible through August 31 and February 14, respectively (the collection dates), without penalty. The tax levy is based on a December 31 assessment date. After February 28, all taxes are declared delinquent. Delinquent property taxes are turned over to the County Treasurer who assumes responsibility for their collection and, at the same time reimburses the City for the total amount of delinquent property taxes.

C. Contingencies

The City is fully insured for workers' compensation claims with the Great American Insurance Company. Property owned by the City is insured by the Michigan Municipal Risk Management Authority, subject to a blanket limit of \$132.7 million, and a deductible schedule of \$1,000, then 90% / 10% sharing between the insurance carrier and the City for the next \$99,000 of any claim, and full coverage for the balance of any claim.

Insurance coverage for claims against the City for bodily injury, personal injury, property damage to property of others, public officials and law enforcement liability, and statutory Michigan "no fault" or owned automobiles is provided by the Michigan Municipal Risk Management Authority ("MMRMA"). The MMRMA program is approved and regulated by the Michigan Insurance Bureau and provides coverage of \$15 million per occurrence, with the first \$150,000 deductible being the responsibility of the City.

The City accounts for transactions related to these risks in accordance with GASB No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which states that a liability for claims must be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated.

No settlements have exceeded insurance coverage during the last three years. The City had made no significant reductions in insurance coverage during the year. The City has received no indication that any significant losses exist at June 30, 2005, and thus no liability has been recorded.

City of Southfield
Notes to Financial Statements
4. OTHER INFORMATION

D. Pension Trusts

City of Southfield
Combining Statement of Fiduciary Net Assets
Pension (and Other Post-Employment Benefits) Trust Funds
June 30, 2005

	Fire and Police	Employee Retirement	Retiree Health Care Benefits Plan & Trust	Totals
ASSETS				
Cash equivalents	\$ 2,920,792	\$ 1,862,934	\$ 16,666	\$ 4,800,392
Investments, at fair value:				
Government obligations	12,173,217	8,331,923		20,505,140
Corporate bonds	45,777,991	8,216,491	1,279,443	55,273,925
Common stock	122,228,799	59,695,106	5,114,404	187,038,309
Real estate and other	17,507,617	10,745,251		28,252,868
Total investments	197,687,624	86,988,771	6,393,847	291,070,242
Receivables:				
Accrued investment income	782,538	278,255	14,881	1,075,674
Due from other funds	1,785	21,961	77,114	100,860
Due from component units		140	61	201
Total assets	201,392,739	89,152,061	6,502,569	297,047,369
LIABILITIES				
Accounts payable	1,739	46	14,744	16,529
Due to other funds	1,463,284	1,121,355		2,584,639
Total liabilities	1,465,023	1,121,401	14,744	2,601,168
NET ASSETS				
Reserved for pension benefits	199,927,716	88,030,660		287,958,376
Reserved for post-retirement health care benefits			6,487,825	6,487,825
Total net assets	\$ 199,927,716	\$ 88,030,660	\$ 6,487,825	\$ 294,446,201

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

D. Pension Trusts (continued)

City of Southfield
Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Post-Employment Benefits) Trust Funds
For the Year Ended June 30, 2005

	Fire and Police	Employee Retirement	Retiree Health Care Benefits Plan & Trust	Totals
ADDITIONS				
Contributions:				
Plan members	\$ 800,169	\$ 4,973		\$ 805,142
Employer	3,731,299	1,606,922	\$ 2,638,596	7,976,817
Total contributions	4,531,468	1,611,895	2,638,596	8,781,959
Investment earnings:				
Net increase (decrease) in fair value of investments	5,012,894	(889,344)	57,222	4,180,772
Interest	2,563,796	1,618,185	131,152	4,313,133
Dividends	2,154,604	535,298		2,689,902
Realized gain (loss) on sale of investments	5,767,907	6,524,554	(20)	12,292,441
Total investment earnings	15,499,201	7,788,693	188,354	23,476,248
Less investment expense:	489,840	386,343	11,060	887,243
Net investment earnings	15,009,361	7,402,350	177,294	22,589,005
Total additions	19,540,829	9,014,245	2,815,890	31,370,964
DEDUCTIONS				
Benefits	13,422,983	4,496,822		17,919,805
Health care expense	1,901,179	644,191		2,545,370
Administrative expense	317,403	135,231	51,034	503,668
Total deductions	15,641,565	5,276,244	51,034	20,968,843
Net increase	3,899,264	3,738,001	2,764,856	10,402,121
Net assets - beginning	196,028,452	84,292,659	3,722,969	284,044,080
Net assets - ending	\$ 199,927,716	\$ 88,030,660	\$ 6,487,825	\$ 294,446,201

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

D. Pension Trusts (continued)

Plan description

The City of Southfield's Act 345 Fire and Police Retirement System ("FPRS") is a single-employer plan consisting of a defined contribution plan and a defined benefit plan. The system covers all sworn firefighters and police officers. Employee contribution rates are determined by bargaining agreement or Act 345.

To be eligible to retire under the provisions of a service retirement, a member must attain at least 20 years of service credit with the Retirement System. The current benefit is calculated using 2.8 percent of final average compensation multiplied by a maximum of 25 years service credit, with applicable reductions based on retirement options.

A lump-sum withdrawal of the accumulated employee contributions and accrued interest can be refunded to a member from the defined contribution plan account at the time of termination or service retirement. A lifetime monthly defined benefit pension is also provided. Members are vested into the defined benefit plan once they attain 10 years of service. A vested deferred pension is provided as long as the member leaves the accumulated contributions and accrued interest with the Retirement System.

The Southfield Employee Retirement System ("SERS") plan is a single-employer defined benefit plan that covers full-time career personnel of the City (other than sworn police officers, firefighters, the City Attorney and the City Administrator, who have an individual retirement plan by contract). Employee contribution rates are determined by bargaining agreements, or the pension ordinance. To be eligible for regular retirement, a member must meet one of the following conditions attain age 57 years with 25 years of service; age 65 years with 5 years of service; age 62 years with 20 or more years of service; or members may retire when their age plus years of credited service equals 82. The pension benefit is a percentage (current multiplier) of final average compensation multiplied by the total years of service credit, with applicable reductions based on retirement option selections. The multiplier in effect is determined by bargaining agreements or the pension ordinance.

Employer contribution rates are actuarially determined for both plans. In addition, FPRS and SERS fund post-retirement health care benefits for their retirees. Each retirement system also provides disability, death and vested deferred benefits which have their own specific eligibility requirements, calculation provisions and health insurance options as provided by either FPRS or SERS. Employees are not permitted to receive loans from either plan.

Based on the most recent actuarial valuations of the plans as of June 30, 2005, membership for each plan is as follows:

	Fire and police system	Employee retirement system	Total
Active members			
Vested	166	229	395
Nonvested	97	235	332
Total	263	464	727
Retirees and beneficiaries	209	183	392
Inactive vested members	2	29	31
	<u>474</u>	<u>676</u>	<u>1,150</u>

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

D. Pension Trusts (continued)

Assets in both plans represent investments used to fund retirement benefits and post-retirement health care benefits for members of the plans. Retirement investments are subject to a number of restrictions stipulated by state law as to the type, quality and concentration of investments. A separate financial report is not issued for the pension plans.

Actuarial cost method

- 1) Normal cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an individual entry-age actuarial cost method having the following assumptions.
 - The annual normal cost for each individual active member, payable from the date of employment to the date of retirement (or the date of drop, if earlier), is sufficient to accumulate the value of the members benefit at the time of retirement
 - Each annual normal cost is a constant percentage of the members' year-by-year projected covered pay.
- 2) Unfunded actuarial accrued liabilities were amortized by level (principal and interest combined) percent-of-payroll contributions over a period of 30 years for SERS. FPRS is not amortized.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to the SERS and FPRS for the current year are as follows:

	SERS	FPRS
Annual required contribution/pension cost	\$ 1,440,219	\$ 3,733,960
Contribution made	(1,606,922)	(3,731,299)
Increase (decrease) in net pension obligation	(166,703)	2,661
Net pension obligation, beginning of year	-	-
Net pension obligation, end of year	(166,703)	2,661

Contributions required and contributions made

The City's funding policy provides for periodic employer and employee contributions to both plans expressed as percentages of annual-covered payroll which are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry-age actuarial funding method. Actuarial assumptions include an assumed rate of inflation of 5.0%, an assumed investment income rate of 8% for SERS and a 5 year smooth market, 7.75% for FPRS and a 4 year smoothed market. If the number of active members remains constant, then the total active member payroll will increase 4.5% annually for SERS and 4% annually for FPRS. Each annual normal cost is a constant percentage of the members' year by year projected covered pay. The funding credit and unfunded actuarial accrued liabilities for SERS are amortized as a level percent of payroll over a closed period of 30 years. The aggregate unfunded actuarial accrued liability/full funding credit for the FPRS is not amortized. The interest on the full funding credit offsets normal cost contributions.

During the year ended June 30, 2005, contributions totaling \$4,531,468 (\$3,731,299 employer and \$800,169 employee) and \$1,611,895 (\$1,606,922 employer and \$4,973 employee) were made to FPRS and SERS, respectively.

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

D. Pension Trusts (continued)

Retiree Health Care

The City's two retirement plans contain designated funds for retiree health insurance. The City-sponsored health benefit plan is administered by the City in accordance with provisions of the bargaining agreements and City Council resolutions.

In 2001, the City Council adopted an ordinance which established the Retiree Health Care Benefits Plan and Trust for the purpose of pre-funding for retiree health care expenses. The Plan and Trust taken as a whole constitutes a voluntary employees beneficiary association (VEBA) under Section 501(c) (9) of the

Internal Revenue Code of 1986, as amended. The VEBA plan, as it is commonly known, is administered by an 11 member board, consisting of the five (5) members of the Fire and Police Retirement System Board, the three (3) members of the Administrative Civil Service Commission, two (2) elected SERS active members, and the City Administrator.

The actuary calculates an employer contribution rate for the VEBA, based on current costs, predicted health inflation and retiree mortality expectation. All retiree health care contributions are now made to the VEBA plan. Retiree health care expenses will be paid from the previously-designated monies within the FPRS and SERS pension funds until those sources are exhausted. Thereafter, the expenses will be paid from the VEBA.

Since 1987, health insurance premiums for retirees of the Fire and Police Retirement System are fully paid by the City for both the member and his/her spouse. For members retired after July 1, 1992, fully paid health insurance also includes the coverage of dependents in addition to the member's spouse.

As of July 1, 2002, retirees of the Southfield Employee Retirement System pay \$10 per month for single health insurance coverage, and \$20 per month for the member plus spouse, unless otherwise provided in the collective bargaining agreement.

Trend information

The following three year trend information presented below for both pension plans discloses annual pension benefit costs.

Annual pension benefit costs:

	2005	2004	2003
SERS \$	4,496,822	\$ 3,131,326	\$ 2,671,786
FPRS	13,422,983	8,428,249	8,555,652

The following three year trend information presented below for both pension plans discloses annual pension contributions.

	2005	2004	2003
EMPLOYER SERS	\$ 1,606,922	\$ 365,209	-
EMPLOYEE SERS	4,973	11,883	\$ 6,726
EMPLOYER FPRS	3,731,299	2,587,659	2,428,823
EMPLOYEE FPRS	800,169	796,476	752,263

City of Southfield

Notes to Financial Statements

4. OTHER INFORMATION

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

In accordance with GASB Statement No. 32, "Accounting and financial reporting for Internal Revenue Code Section 457 Deferred Compensation Plans", the City has removed the plans assets from the financial statements.

F. Transfers In and Out – Governmental and Proprietary Fund Activities (not Government-wide)

Transfers Out:	Non-major governmental funds	Enterprise	Total
General fund		\$ 7,140	\$ 7,140
Enterprise	\$ 1,096,109		1,096,109
Total transfers out	\$ 1,096,109	\$ 7,140	\$ 1,103,249

G. Statement of Net Assets – Reconciliation of Internal Balances

Governmental Activities

Governmental funds	
Due from other funds	\$ 10,632,940
Long-term advances to other funds	(3,787,021)
Due to other funds	(8,041,819)
Internal service funds	
Due from other funds	3,461,652
Due to other funds	(902,835)
Long-term advances receivable	3,787,021
Fiduciary funds	
Due from other funds	391,143
Due to other funds	(3,647,633)
	\$ 1,893,448

Business Type Activities

Proprietary funds	
Due to other funds	\$ (1,893,448)
	\$ (1,893,448)

City of Southfield
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 39,122,740	\$ 39,220,857	\$ 39,002,416	\$ (218,441)
Charges for services	1,431,231	1,451,631	1,937,750	486,119
Sanitation	2,908,520	2,908,520	2,891,792	(16,728)
Licenses and Permits	2,361,004	2,361,004	2,284,166	(76,838)
Fines and forfeitures	3,316,966	3,316,966	3,161,442	(155,524)
Intergovernmental	8,594,639	8,594,639	9,778,503	1,183,864
Investment earnings	555,407	555,407	499,943	(55,464)
Other	304,007	304,007	569,190	265,183
Total revenues	58,594,514	58,713,031	60,125,202	1,412,171
EXPENDITURES				
General government:				
Council	158,188	158,188	143,885	14,303
Mayor	191,572	191,572	185,456	6,116
Administration	497,128	447,449	409,624	37,825
Legal	1,003,931	1,003,931	1,019,718	(15,787)
Clerk's	1,003,975	1,011,000	1,010,350	650
Human Resources	1,183,648	1,183,757	1,205,834	(22,077)
Finance/OMB	986,451	992,317	982,253	10,064
Other - unclassified	5,741,500	5,833,036	5,493,480	339,556
Total general government	10,766,393	10,821,250	10,450,600	370,650
Public Safety:				
Police	20,732,671	20,682,377	20,457,836	224,541
Fire	12,748,768	12,767,950	13,152,756	(384,806)
Building and safety engineering	2,433,528	2,434,251	2,311,346	122,905
46th Michigan District Court	3,155,074	3,160,074	3,072,373	87,701
Civilian support services	2,868,252	2,883,322	2,831,737	51,585
Total public safety	41,938,293	41,927,974	41,826,048	101,926
Public Services:				
Community development	254,038	254,038	178,374	75,664
Sanitation	3,128,755	3,128,755	3,098,198	30,557
Road service administration	844,953	844,993	892,727	(47,734)
Total public services	4,227,746	4,227,786	4,169,299	58,487
Social Services	356,929	356,929	343,302	13,627
Other:				
Insurance and bonds	807,363	807,363	632,071	175,292
Unallocated costs	3,436,293	3,556,293	3,738,158	(181,865)
Total other	4,243,656	4,363,656	4,370,229	(6,573)
Total expenditures	61,533,017	61,697,595	61,159,478	538,117
Deficiency of revenues under expenditures	(2,938,503)	(2,984,564)	(1,034,276)	1,950,288
OTHER FINANCING SOURCES (USES)				
Transfers in	265,660	265,660	215,182	(50,478)
Transfers out	(1,175,966)	(1,175,966)	(1,184,931)	(8,965)
Total other financing sources (uses)	(910,306)	(910,306)	(969,749)	(59,443)
Net change in fund balances	(3,848,809)	(3,894,870)	(2,004,025)	1,890,845
Fund balances - beginning	16,741,788	16,741,788	16,741,788	-
Fund balances - ending	\$ 12,892,979	\$ 12,846,918	\$ 14,737,763	\$ 1,890,845

City of Southfield
Required Supplementary Information
Schedule of Funding Progress
Six-Year Historical Trend Information

Fire and Police Retirement System Pension Benefits

(dollar amounts in millions)

Valuation date June 30,	Actuarial value of assets (a)	Actuarial accrued liability ("AAL") (b)	Unfunded actuarial accrued liability (b-a)	Funded ratio (a/b)	Covered payroll	Ratio of UAAL to covered payroll
2004 \$	177.4	\$ 170.2	\$ (7.2)	104.2% \$	20.4	-
2003	177.3	164.3	(13.0)	107.9	19.6	-
2002	183.6	150.8	(32.8)	121.8	19.1	-
2001	186.5	146.4	(40.1)	127.4	18.4	-
2000	184.4	141.4	(43.0)	130.4	17.9	-
1999	175.9	128.0	(47.9)	137.4	16.9	-

Employees Retirement System Pension Benefits

(dollar amounts in millions)

Valuation date June 30,	Actuarial value of assets (a)	Actuarial accrued liability ("AAL") (b)	Unfunded actuarial accrued liability (b-a)	Funded ratio (a/b)	Covered payroll	Ratio of UAAL to covered payroll
2004 \$	91.1	\$ 96.6	\$ 5.5	94.3% \$	21.4	25.7%
2003	90.5	80.9	(9.6)	111.8	20.3	-
2002	90.6	70.0	(20.6)	129.0	19.3	-
2001	90.5	62.5	(28.0)	145.0	18.1	-
2000	84.8	57.3	(27.5)	148.0	16.8	-
1999	76.3	51.6	(24.7)	147.9	15.1	-

City of Southfield
Required Supplementary Information
Schedule of Employer Contributions
Six-Year Historical Trend Information

Fire and police retirement system pension benefits

Valuation Year ended June 30,	Fiscal year ended June 30,	Contribution rates as a percent of valuation payroll	Computed dollar contribution based on valuation payroll	Percent contributed	
2003	2005	17.55	\$ 3,434,341	100.00	%
2002	2004	15.39	2,941,903	100.00	
2001	2003	14.20	2,607,682	100.00	
2000	2002	13.86	2,474,840	100.00	
1999	2001	12.85	2,183,282	100.00	
1998	2000	13.27	2,199,070	100.00	

Employee retirement system pension benefit

Valuation Year ended June 30,	Fiscal year ended June 30,	Contribution rates as a percent of valuation payroll	Computed dollar contribution based on valuation payroll	Percent contributed	
2003	2005	6.78%	\$ 341,034	100.00	%
2002	2004	1.31	252,830	100.00	
2001	2003	-	-	N/A *	
2000	2002	-	-	N/A *	
1999	2001	-	-	N/A *	
1998	2000	-	-	N/A *	

* No contribution required because the fund was overfunded.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
ASSETS				
Cash and cash equivalents	\$ 5,508,911	\$ 1,539,358	\$ 2,226,450	\$ 9,274,719
Investments	11,069,255		5,021,518	16,090,773
Receivables:				
Special Assessments		1,127,135		1,127,135
Accrued interest	109,613	6,284	36,183	152,080
Other	4,158,432	3,638	29,040	4,191,110
Prepays	161,221		226,867	388,088
Due from other funds	1,844,170	111,246	1,430,177	3,385,593
Due from component units	68,776			68,776
Due from other governmental units	452,425			452,425
Total assets	\$ 23,372,803	\$ 2,787,661	\$ 8,970,235	\$ 35,130,699
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	1,316,289	28	548,830	1,865,147
Accrued payroll	241,257			241,257
Accrued compensated absences	76,044			76,044
Due to other funds	5,376,764	25,000	460,292	5,862,056
Deferred revenue	1,563,905	1,102,654	27,732	2,694,291
Other short-term liabilities	43,484			43,484
Long-term advances from local improvement revolving fund	150,000		3,637,021	3,787,021
Total liabilities	8,767,743	1,127,682	4,673,875	14,569,300
Fund balance:				
Reserved for:				
Encumbrances	1,551,128			1,551,128
Debt service		1,659,979		1,659,979
Unreserved				
Designated for:				
Specific programs	1,067,408		2,614,140	3,681,548
Capital projects reserve	168,758			168,758
Undesignated	11,817,766		1,682,220	13,499,986
Total fund balances	14,605,060	1,659,979	4,296,360	20,561,399
Total liabilities and fund balances	\$ 23,372,803	\$ 2,787,661	\$ 8,970,235	\$ 35,130,699

City of Southfield

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Year Ended June 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total
REVENUES				
Taxes	\$ 16,999,763	\$ 578,215		\$ 17,577,978
Special assessments		226,617		226,617
Charges for services	3,569,097		\$ 217,271	3,786,368
Fines and forfeitures	286,891			286,891
Franchise fees	784,539			784,539
Intergovernmental revenue	9,392,931			9,392,931
Contributions	145,494			145,494
Investment earnings	502,586	88,365	186,480	777,431
Other	500,411		25,018	525,429
Total revenues	32,181,712	893,197	428,769	33,503,678
EXPENDITURES				
Current:				
Public safety	1,131,882			1,131,882
Highways and streets	8,366,140			8,366,140
Social services	2,539,987			2,539,987
Culture and recreation	14,267,105			14,267,105
Community improvement	804,973			804,973
Other	272,756	4,968	6,285,893	6,563,617
Debt service:				
Principal retirement		1,050,703	266,416	1,317,119
Interest and fiscal charges		2,125,896	150,935	2,276,831
Total expenditures	27,382,843	3,181,567	6,703,244	37,267,654
Excess (deficiency) of revenues over (under) expenditures	4,798,869	(2,288,370)	(6,274,475)	(3,763,976)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,604,455	2,126,711	3,500,807	7,231,973
Transfers out	(3,829,676)		(136,740)	(3,966,416)
Total other financing sources (uses)	(2,225,221)	2,126,711	3,364,067	3,265,557
Net change in fund balances	2,573,648	(161,659)	(2,910,408)	(498,419)
Fund balances - beginning	12,031,412	1,821,638	7,206,768	21,059,818
Fund balances - ending	\$ 14,605,060	\$ 1,659,979	\$ 4,296,360	\$ 20,561,399

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

These funds account for the proceeds of specific revenue sources used to finance projects or activities as required by law or contractual agreement. The following funds are currently established:

PARKS AND RECREATION FUND

Specific property taxes, grants and user fees are used to operate the ice arena, swimming pool, and activities at parks, playgrounds and other facilities. Golf course activities, which include the Evergreen Hills Golf Course and Pro Shop, Beech Woods Golf Course, Pro Shop and Driving Range, were consolidated with the Parks & Recreation Fund in 1999 – 2000.

LIBRARY FUND

Specific property taxes, grants, user fees, state aide and related revenues are used to purchase books and computers, and to operate programs in the Civic Center and at the John Grace Community Center. The newly built Southfield Public Library was opened June 15, 2003.

BLOCK GRANT FUND

Under the Housing and Community Development Act of 1974, as amended, federal grants are targeted for neighborhood beautification, improvement and revitalization and other community improvements. These activities benefit low and moderate income persons in targeted areas as defined by the Department of Housing and Urban Development (HUD).

AUTO THEFT GRANT FUND

The Auto Theft Grant fund is a State funded program designed to assist local governments in auto theft investigation and prevention.

MAJOR STREET / LOCAL STREET FUND

Michigan's Act 51 of 1933, as amended, allocates gas and weight taxes to build and maintain roads, roadsides, and storm sewers. Snow removal and traffic control are also supported by this funding source. Major Streets include federal and state trunk lines maintained by the County and other relatively heavily traversed roads ("mile" roads) maintained by the City. Local Streets, which primarily service the residential community, are maintained by the City through a one-mill City tax levy for residential street maintenance and to a lesser degree by Act 51 funding.

MUNICIPAL STREET FUND

The Municipal Street fund was established to account for activities of the road appearance program, which was initiated in 1989-90 to provide a uniform standard for all roadside mowing, litter pick-up, street sweeping and catch basin cleaning on all roads throughout the City. It is separately funded through Public Act 298 of 1917.

DRUG LAW ENFORCEMENT FUND

The Drug Law Enforcement fund was established pursuant to Public Act 135 of 1985. As provided by Article 7 of this Act, property associated with controlled substances may be seized and the proceeds from its sale used to enhance law enforcement related to controlled substances.

SECTION 8 HOUSING FUND

Section 8 Housing Fund was established to account for rent subsidies provided by the U.S. Department of Housing and Urban Development which are made available to eligible persons.

SPECIAL REVENUE FUNDS
(continued)

CABLE TELEVISION FUND

The Cable Television Fund was established to account for fees received under provisions of the cable television franchise agreement. These fees are used for local programming and certain other purposes.

MICHIGAN WORKS GRANTS FUND

The Michigan Works Grants are funded by the Michigan Department of Career Development and the Oakland County Workforce Board and are administered by the Southfield Career Center.

LOCAL LAW ENFORCEMENT BLOCK GRANT FUND

The Grant was authorized under the Omnibus Fiscal Year 1997 Appropriation Act (Public Law 104-208) for the purposes of reducing crime and improving public safety.

GRANTS FUND

This fund accounts for individual grants received from Federal, State or other sources.

DONATIONS AND MEMORIAL TRUSTS

This fund accounts for endowments, restricted donations and contributions in memory of City employees and City residents. The funds are controlled by the Library Board and 46th District Court and are designated in accordance with the bequest.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
June 30, 2005

ASSETS	Parks and Recreation Fund	Library Fund	Block Grant Fund	Auto Theft Grant Fund	Major Street Fund	Local Street Fund	Municipal Street Fund
Cash and cash equivalents	\$ 863,546	\$ 131,772	\$ 559,856	\$ 64,259	\$ 561,204	\$ 203,158	\$ 166,210
Investments	3,075,107	3,977,140			192,486	3,467,155	
Receivables:							
Accrued interest	26,187	36,539	1,221	160	7,411	25,857	374
Other	339,011	775,239	245,718	66,494	652,368	378,071	860,677
Prepays	15,163	43,594	8,430				
Due from other funds	204,001	345			906,140	418,564	
Due from component units					68,776		
Total assets	\$ 4,523,015	\$ 4,964,629	\$ 815,225	\$ 130,913	\$ 2,388,385	\$ 4,492,805	\$ 1,027,261
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	253,144	133,742	33,247		577,559	128,505	
Accrued payroll	121,738	66,754	5,170	6,334			
Accrued compensated absences	38,029	28,320	66				
Due to other funds	1,002,373	461,214	559,645	51,582	714,752	552,567	989,800
Deferred revenue		84,655	217,097	72,997			
Other short-term liabilities	15,606						
Total liabilities	1,430,890	774,685	815,225	130,913	1,292,311	681,072	989,800
Fund balance:							
Encumbrances		4,978			827,300	641,923	
Designated for:							
Specific programs	99,345	718,063					
Capital projects reserve	80,613						
Undesignated	2,912,167	3,466,903			268,774	3,169,810	37,461
Total fund balances	3,092,125	4,189,944	-	-	1,096,074	3,811,733	37,461
Total liabilities and fund balances	\$ 4,523,015	\$ 4,964,629	\$ 815,225	\$ 130,913	\$ 2,388,385	\$ 4,492,805	\$ 1,027,261

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
June 30, 2005

ASSETS	Drug Law Enforcement Fund	Section 8 Housing Fund	Cable Television Fund	Michigan Works Grants Fund	Local Law Enforcement Block Grant Fund	Grants Fund	Donations and Memorial Trusts	Total
Cash and cash equivalents	\$ 483,849	\$ 333,418	\$ 110,867	\$ 563,972	\$ 72,582	\$ 37,609	\$ 1,356,609	\$ 5,508,911
Investments			357,367					11,069,255
Receivables:								
Accrued interest	918	603	2,368	969	177	52	6,777	109,613
Other		207,350	203,591	34,651	161,194	234,068		4,158,432
Prepays	605	72,786		9,308	6,120	1,240	3,975	161,221
Due from other funds		1,241	500			300,000	13,379	1,844,170
Due from component units								68,776
Due from other governmental units				452,425				452,425
Total assets	\$ 485,372	\$ 615,398	\$ 674,693	\$ 1,061,325	\$ 240,073	\$ 572,969	\$ 1,380,740	\$ 23,372,803
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	15,905	9,189	17,789	33,753	4,124	104,890	4,442	1,316,289
Accrued payroll	2,503	2,432	15,245	19,210		1,331	540	241,257
Accrued compensated absences		1,072	8,050	507				76,044
Due to other funds	20,706	26,878	42,712	782,794		164,429	7,312	5,376,764
Deferred revenue		575,827		225,061	235,949	152,319	2,128	1,563,905
Other short-term liabilities	750		25,000					43,484
Long-term advances from local improvement revolving fund						150,000		150,000
Total liabilities	39,864	615,398	108,796	1,061,325	240,073	572,969	14,422	8,767,743
Fund balance:								
Encumbrances	69,756		7,171					1,551,128
Designated for:								
Specific programs			250,000					1,067,408
Capital projects reserve	88,145							168,758
Undesignated	287,607		308,726				1,366,318	11,817,766
Total fund balances	445,508	-	565,897	-	-	-	1,366,318	14,605,060
Total liabilities and fund balances	\$ 485,372	\$ 615,398	\$ 674,693	\$ 1,061,325	\$ 240,073	\$ 572,969	\$ 1,380,740	\$ 23,372,803

(continued)

City of Southfield

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Special Revenue Funds

For the Year Ended June 30, 2005

REVENUES	Parks and Recreation Fund	Library Fund	Block Grant Fund	Auto Theft Grant Fund	Major Street Fund	Local Street Fund	Municipal Street Fund	Drug Law Enforcement Fund
Taxes	\$ 5,493,286	\$ 6,973,788				\$ 3,132,672	\$ 1,400,017	
Charges for services	2,976,158	592,939						
Fines and forfeitures								
Franchise fees								\$ 286,891
Intergovernmental revenue		71,895	\$ 957,025	\$ 172,263	\$ 4,099,115	1,222,393		
Contributions								
Investment earnings	103,770	147,331	8,564	1,326	63,881	103,571	6,579	7,984
Other	27,628	5,862		66,494	138,655	6,183		7,500
Total revenues	8,600,842	7,791,815	965,589	240,083	4,301,651	4,464,819	1,406,596	302,375
EXPENDITURES								
Current:								
Public safety				240,083				301,007
Highways and streets								
Culture and recreation	7,792,691	5,560,470			5,316,499	3,023,033	26,608	
Community improvement			804,973					
Other			160,616					
Total expenditures	7,792,691	5,560,470	965,589	240,083	5,316,499	3,023,033	26,608	301,007
Excess (deficiency) of revenues over (under) expenditures	808,151	2,231,345	-	-	(1,014,848)	1,441,786	1,379,988	1,368
OTHER FINANCING SOURCES (USES)								
Transfers in								
Transfers out	(314,106)	(1,872,405)			913,131	534,222	(1,363,313)	
Total other financing sources (uses)	(314,106)	(1,872,405)	-	-	(120,857)	(100,479)	(1,363,313)	-
Net change in fund balances	494,045	358,940	-	-	(222,574)	1,875,529	16,675	1,368
Fund balances - beginning	2,598,080	3,831,004	-	-	1,318,648	1,936,204	20,786	444,140
Fund balances - ending	\$ 3,092,125	\$ 4,189,944	\$ -	\$ -	\$ 1,096,074	\$ 3,811,733	\$ 37,461	\$ 445,508

City of Southfield
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Special Revenue Funds
For the Year Ended June 30, 2005

REVENUES	Section 8 Housing Fund	Cable Television Fund	Michigan Works Grants Fund	Local Law Enforcement Block Grant Fund	Grants Fund	Donations and Memorial Trusts	Total
Taxes							
Charges for services							\$ 16,999,763
Fines and forfeitures							3,569,097
Franchise fees		\$ 784,539					286,891
Intergovernmental revenue	\$ 852,027		\$ 1,619,926	\$ 63,914	\$ 334,373		784,539
Contributions							9,392,931
Investment earnings	2,709	8,985	10,087	2,078	967	145,494	145,494
Other	207,350			32,358		34,754	502,586
Total revenues	1,062,086	793,524	1,630,013	98,350	335,340	188,629	500,411
							32,181,712
EXPENDITURES							
Current:							
Public safety				105,452			1,131,882
Highways and streets					485,340		8,366,140
Social services	1,049,886		1,490,101				2,539,987
Culture and recreation		777,106				136,838	14,267,105
Community improvement							804,973
Other			112,140				272,756
Total expenditures	1,049,886	777,106	1,602,241	105,452	485,340	136,838	27,382,843
Excess (deficiency) of revenues over (under) expenditures	12,200	16,418	27,772	(7,102)	(150,000)	51,791	4,798,869
OTHER FINANCING SOURCES (USES)							
Transfers in							1,604,455
Transfers out	(12,200)	(18,544)	(27,772)	7,102	150,000		(3,829,676)
Total other financing sources (uses)	(12,200)	(18,544)	(27,772)	7,102	150,000		(2,225,221)
Net change in fund balances	-	(2,126)	-	-	-	51,791	2,573,648
Fund balances - beginning	-	568,023	-	-	-	1,314,527	12,031,412
Fund balances - ending	\$ -	\$ 565,897	\$ -	\$ -	\$ -	\$ 1,366,318	\$ 14,605,060

(continued)

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Parks and Recreation Fund

For the Year Ended June 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 5,503,793	\$ 5,493,286	\$ (10,507)
Charges for services	2,818,230	2,976,158	157,928
Investment income	45,000	103,770	58,770
Other revenue	42,475	27,628	(14,847)
Total revenues	8,409,498	8,600,842	191,344
EXPENDITURES			
Culture and recreation:			
Administration	2,133,054	1,980,252	152,802
Parks, forestry & environmental division	1,187,805	1,031,565	156,240
Recreation division	1,070,211	989,938	80,273
Cultural arts division	197,824	205,682	(7,858)
Senior center division	280,269	297,839	(17,570)
Parks facility operations	2,526,083	2,475,773	50,310
Golf	854,491	811,642	42,849
Total expenditures	8,249,737	7,792,691	457,046
Excess of revenues over expenditures	159,761	808,151	648,390
OTHER FINANCING USES			
Transfers out	(314,106)	(314,106)	-
Net change in fund balances	(154,345)	494,045	648,390
Fund balances - beginning	2,598,080	2,598,080	-
Fund balances - ending	\$ 2,443,735	\$ 3,092,125	\$ 648,390

City of Southfield**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Final Budget and Actual - Library Fund****For the Year Ended June 30, 2005**

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 6,972,670	\$ 6,973,788	\$ 1,118
Charges for services	550,157	592,939	42,782
Intergovernmental	74,279	71,895	(2,384)
Investment earnings	65,000	147,331	82,331
Other		5,862	5,862
Total revenues	<u>7,662,106</u>	<u>7,791,815</u>	<u>129,709</u>
EXPENDITURES			
Culture and recreation:			
Administration	1,709,044	1,614,118	94,926
Adult reference	1,417,687	1,343,321	74,366
Children's division	649,992	602,339	47,653
Circulation division	1,088,587	1,143,363	(54,776)
Support services division	954,710	857,329	97,381
Total expenditures	<u>5,820,020</u>	<u>5,560,470</u>	<u>259,550</u>
Excess of revenues over expenditures	1,842,086	2,231,345	389,259
OTHER FINANCING USES			
Transfers out	<u>(1,892,065)</u>	<u>(1,872,405)</u>	<u>19,660</u>
Net change in fund balances	(49,979)	358,940	408,919
Fund balances - beginning	<u>3,831,004</u>	<u>3,831,004</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,781,025</u>	<u>\$ 4,189,944</u>	<u>\$ 408,919</u>

City of Southfield**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Final Budget and Actual - Block Grant Fund****For the Year Ended June 30, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Intergovernmental:			
Federal	\$ 629,000	\$ 689,908	\$ 60,908
Other	205,000	267,117	62,117
Investment earnings		8,564	8,564
Total revenues	<u>834,000</u>	<u>965,589</u>	<u>131,589</u>
EXPENDITURES			
Community improvement	834,000	804,973	29,027
Other		160,616	(160,616)
	<u>834,000</u>	<u>965,589</u>	<u>(131,589)</u>
 Net change in fund balances	-	-	-
 Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
 Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Auto Theft Grant Fund

For the Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 173,293	\$ 172,263	\$ (1,030)
Investment earnings	2,000	1,326	(674)
Other		66,494	66,494
Total revenues	<u>175,293</u>	<u>240,083</u>	<u>64,790</u>
EXPENDITURES			
Public Safety	<u>240,565</u>	<u>240,083</u>	<u>482</u>
Net change in fund balances	(65,272)	-	65,272
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	\$ <u>(65,272)</u>	\$ <u>-</u>	\$ <u>65,272</u>

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Major Street Fund

For the Year Ended June 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 4,289,839	\$ 4,099,115	\$ (190,724)
Investment earnings	20,000	63,881	43,881
Other revenue	3,600	138,655	135,055
Total revenues	<u>4,313,439</u>	<u>4,301,651</u>	<u>(11,788)</u>
EXPENDITURES			
Highways and streets:			
Road construction	2,262,392	2,080,851	181,541
Administration	197,237	195,777	1,460
Road maintenance	1,316,766	1,166,463	150,303
Traffic service	665,162	650,083	15,079
Snow removal	623,326	412,981	210,345
Appearance	868,131	810,344	57,787
Total expenditures	<u>5,933,014</u>	<u>5,316,499</u>	<u>616,515</u>
Deficiency of revenues under expenditures	(1,619,575)	(1,014,848)	604,727
OTHER FINANCING SOURCES (USES)			
Transfers in	913,131	913,131	-
Transfers out	(120,857)	(120,857)	-
Total other financing sources (uses)	<u>792,274</u>	<u>792,274</u>	<u>-</u>
Net change in fund balances	(827,301)	(222,574)	604,727
Fund balances - beginning	<u>1,318,648</u>	<u>1,318,648</u>	<u>-</u>
Fund balances - ending	\$ <u><u>491,347</u></u>	\$ <u><u>1,096,074</u></u>	\$ <u><u>604,727</u></u>

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Local Street Fund

For the Year Ended June 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 3,144,263	\$ 3,132,672	\$ (11,591)
Intergovernmental	1,257,846	1,222,393	(35,453)
Investment earnings	20,000	103,571	83,571
Other	2,000	6,183	4,183
Total revenues	4,424,109	4,464,819	40,710
EXPENDITURES			
Highways and streets:			
Road construction	2,357,020	301,535	2,055,485
Administration	467,799	265,816	201,983
Road maintenance	1,696,310	1,563,849	132,461
Traffic service	196,272	192,561	3,711
Snow removal	485,654	391,269	94,385
Appearance	296,722	308,003	(11,281)
Total expenditures	5,499,777	3,023,033	2,476,744
Excess of revenues over expenditures	(1,075,668)	1,441,786	2,517,454
OTHER FINANCING SOURCES (USES)			
Transfers in	534,222	534,222	-
Transfers out	(100,479)	(100,479)	-
Total other financing sources (uses)	433,743	433,743	-
Net change in fund balances	(641,925)	1,875,529	2,517,454
Fund balances - beginning	1,936,204	1,936,204	-
Fund balances - ending	\$ 1,294,279	\$ 3,811,733	\$ 2,517,454

City of Southfield**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Final Budget and Actual - Municipal Street Fund****For the Year Ended June 30, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Taxes	\$ 1,407,924	\$ 1,400,017	\$ (7,907)
Investment earnings		6,579	6,579
Total revenues	<u>1,407,924</u>	<u>1,406,596</u>	<u>(1,328)</u>
EXPENDITURES			
Highways and streets	<u>44,611</u>	<u>26,608</u>	<u>18,003</u>
Excess of revenues over expenditures	1,363,313	1,379,988	16,675
OTHER FINANCING USES			
Transfers out	<u>(1,363,313)</u>	<u>(1,363,313)</u>	<u>-</u>
Net change in fund balances	-	16,675	16,675
Fund balances - beginning	<u>20,786</u>	<u>20,786</u>	<u>-</u>
Fund balances - ending	\$ <u><u>20,786</u></u>	\$ <u><u>37,461</u></u>	\$ <u><u>16,675</u></u>

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Drug Law Enforcement Fund

For the Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Fines and forfeitures	\$ 164,541	\$ 286,891	\$ 122,350
Intergovernmental revenue	7,000	7,500	500
Investment earnings	3,000	7,984	4,984
Total revenues	<u>174,541</u>	<u>302,375</u>	<u>127,834</u>
EXPENDITURES			
Public safety	<u>290,651</u>	<u>301,007</u>	<u>(10,356)</u>
Net change in fund balances	(116,110)	1,368	117,478
Fund balances - beginning	<u>-</u>	<u>444,140</u>	<u>444,140</u>
Fund balances - ending	\$ <u><u>(116,110)</u></u>	\$ <u><u>445,508</u></u>	\$ <u><u>561,618</u></u>

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Section 8 Housing Fund

For the Year Ended June 30, 2005

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Intergovernmental	\$ 981,386	\$ 852,027	\$ (129,359)
Investment earnings		2,709	2,709
Other		207,350	207,350
Total revenues	<u>981,386</u>	<u>1,062,086</u>	<u>80,700</u>
EXPENDITURES			
Social services	<u>969,186</u>	<u>1,049,886</u>	<u>(80,700)</u>
Excess of revenues over expenditures	12,200	12,200	-
OTHER FINANCING USES			
Transfers out	<u>(12,200)</u>	<u>(12,200)</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Southfield**Schedule of Revenues, Expenditures, and Changes in Fund Balances****Final Budget and Actual - Cable Television Fund****For the Year Ended June 30, 2005**

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUES			
Franchise fees	\$ 758,000	\$ 784,539	\$ 26,539
Investment earnings	8,500	8,985	485
Total revenues	<u>766,500</u>	<u>793,524</u>	<u>27,024</u>
EXPENDITURES			
Culture and recreation	<u>796,705</u>	<u>777,106</u>	<u>19,599</u>
Excess of revenues over expenditures	(30,205)	16,418	46,623
OTHER FINANCING USES			
Transfers out	<u>(18,544)</u>	<u>(18,544)</u>	<u>-</u>
Net change in fund balances	(48,749)	(2,126)	46,623
Fund balances - beginning	<u>568,023</u>	<u>568,023</u>	<u>-</u>
Fund balances - ending	\$ <u>519,274</u>	\$ <u>565,897</u>	\$ <u>46,623</u>

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Michigan Works Grants Fund

For the Year Ended June 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 1,601,500	\$ 1,619,926	\$ 18,426
Investment earnings		10,087	10,087
Total revenues	1,601,500	1,630,013	28,513
EXPENDITURES			
Social services	1,546,500	1,490,101	56,399
Other		112,140	(112,140)
Total expenditures	1,546,500	1,602,241	(55,741)
Excess of revenues over expenditures	55,000	27,772	(27,228)
OTHER FINANCING USES			
Transfers out	(55,000)	(27,772)	27,228
Net change in fund balances	-	-	-
Fund balances - beginning	-	-	-
Fund balances - ending	\$ -	\$ -	\$ -

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances Final Budget and Actual - Local Law Enforcement Block Grant Fund For the Year Ended June 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 63,914	\$ 63,914	\$ -
Investment earnings		2,078	2,078
Other		32,358	32,358
Total revenues	<u>63,914</u>	<u>98,350</u>	<u>34,436</u>
EXPENDITURES			
Public safety	<u>71,016</u>	<u>105,452</u>	<u>(34,436)</u>
Deficiency of revenues under expenditures	(7,102)	(7,102)	-
OTHER FINANCING SOURCES			
Transfers in	<u>7,102</u>	<u>7,102</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Grants Fund

For the Year Ended June 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Intergovernmental	\$ 334,373	\$ 334,373	\$ -
Investment earnings		967	967
Total revenues	<u>334,373</u>	<u>335,340</u>	<u>967</u>
EXPENDITURES			
Public safety	<u>484,373</u>	<u>485,340</u>	<u>(967)</u>
Deficiency of revenues under expenditures	(150,000)	(150,000)	-
OTHER FINANCING SOURCES			
Transfers in	<u>150,000</u>	<u>150,000</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS

These funds account for the payment of interest and principal on long-term bonded debt. The City has contracted with Oakland County for indirect repayment of bonds issued for sewers and drains.

DRAINS-AT-LARGE FUND

An at-large assessment is levied upon all property to cover debt service for storm sewers built in the City by Oakland County.

SPECIAL ASSESSMENT DEBT FUND

Special assessments collected by this fund are used to pay internal loans borrowed for specific local improvements which benefit property owners.

BUILDING AUTHORITY DEBT FUND

General property taxes are provided, through operating fund rent payments, to pay debt service for construction or renovation of various municipal buildings.

LIBRARY BUILDING AUTHORITY DEBT FUND

General Library taxes are provided, through operating fund rent payments to pay debt service for construction.

LONG-TERM GENERAL OBLIGATION DEBT FUND

General fund operating revenues are provided to pay debt service for Fire Station #4 and Municipal Building renovations.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Debt Service Funds
June 30, 2005

ASSETS	Drains-at- Large Debt Fund	Special Assessment Debt Fund	Building Authority Debt Fund	Total
Cash and cash equivalents	\$ 145,073	\$ 1,385,615	\$ 8,670	\$ 1,539,358
Receivables:				
Special Assessments		1,127,135		1,127,135
Accrued interest	1,233	5,032	19	6,284
Other			3,638	3,638
Due from other funds		108,772	2,474	111,246
Total assets	\$ 146,306	\$ 2,626,554	\$ 14,801	\$ 2,787,661
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	14		14	28
Due to other funds		25,000		25,000
Deferred revenue		1,102,654		1,102,654
Total liabilities	14	1,127,654	14	1,127,682
Fund balance:				
Reserved for debt service	146,292	1,498,900	14,787	1,659,979
Total liabilities and fund balances	\$ 146,306	\$ 2,626,554	\$ 14,801	\$ 2,787,661

City of Southfield
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Debt Service Funds
For the Year Ended June 30, 2005

	Drains-at- Large Debt Fund	Special Assessment Debt Fund	Building Authority Debt Fund	Library Building Authority Debt Fund	Long-term General Obligation Debt Fund	Total
REVENUES						
Taxes	\$ 485,692	\$ 226,617	92,523		\$	578,215
Special assessments						226,617
Investment earnings	8,532	78,652	1,181			88,365
Total revenues	<u>494,224</u>	<u>305,269</u>	<u>93,704</u>	<u>-</u>	<u>-</u>	<u>893,197</u>
EXPENDITURES						
Other	314		4,428		226	4,968
Debt service:						
Principal retirement	475,703		225,000	350,000		1,050,703
Interest and fiscal charges	342,948		6,463	1,592,313	184,172	2,125,896
Total expenditures	<u>818,965</u>	<u>-</u>	<u>235,891</u>	<u>1,942,313</u>	<u>184,398</u>	<u>3,181,567</u>
Excess (deficiency) of revenues over (under) expenditures	(324,741)	305,269	(142,187)	(1,942,313)	(184,398)	(2,288,370)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	1,942,313	184,398	2,126,711
Net change in fund balances	(324,741)	305,269	(142,187)	-	-	(161,659)
Fund balances - beginning	471,033	1,193,631	156,974	-	-	1,821,638
Fund balances - ending	<u>\$ 146,292</u>	<u>\$ 1,498,900</u>	<u>\$ 14,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,659,979</u>

City of Southfield

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Final Budget and Actual - Building Authority Debt Fund

For the Year Ended June 30, 2005

	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Taxes	\$ 92,263	\$ 92,523	\$ 260
Investment earnings		1,181	1,181
Total revenues	92,263	93,704	1,441
EXPENDITURES			
Other		4,428	(4,428)
Debt service:			
Bond principal retirement	225,000	225,000	-
Interest and fiscal charges	6,463	6,463	-
Total expenditures	231,463	235,891	(4,428)
Net change in fund balances	(139,200)	(142,187)	(2,987)
Fund balances - beginning	156,974	156,974	-
Fund balances - ending	\$ 17,774	\$ 14,787	\$ (2,987)

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

These funds account for resources used for the acquisition or major renovation of capital facilities. Disbursements from these funds are primarily for property acquisition and the construction of permanent public improvements. The major financing sources are bond proceeds, transfers from other City funds, internal loans and grants.

CAPITAL IMPROVEMENT FUND

This fund is the basic Capital Project Fund of the City, accounting for all major projects not specifically segregated by bond ordinance.

CIVIC CENTER IMPROVEMENT FUND

This fund was created for maintenance and improvement of the City Civic Center.

SPECIAL ASSESSMENT CONSTRUCTION FUND

This fund accounts for the construction phase of local improvements which benefit specific property owners and are ultimately financed through special assessments. Any debt service related to these projects is presented in the previous section.

BUILDING AUTHORITY FUND

The Southfield Building Authority was incorporated October 16, 1962 under the provisions of Act 31, Public Acts of 1948, to purchase or construct facilities for use by the City. Building Authority bonds are issued to finance large-scale projects, while internal financing is used to fund other construction projects. The Authority's Debt Service Funds are presented in the preceding section.

LIBRARY BUILDING AUTHORITY FUND

The Southfield Library Building Authority was incorporated June 14, 1999 under the provisions of Act 31, Public Acts of 1948, to purchase or construct, furnish, equip and maintain a Southfield public library building. As provided in Act 31, the Library Building Authority may also issue negotiable bonds to be repaid through rental payments of the Library to the City. The Authority's Debt Service Funds are presented in the preceding section.

City of Southfield
Combining Balance Sheet
Nonmajor Governmental Funds
Capital Project Funds
June 30, 2005

	Capital Improvement Fund	Civic Center Improvement Fund	Special Assessment Construction Fund	Building Authority Construction Fund	Library Building Authority Construction Fund	Total
ASSETS						
Cash and cash equivalents	\$ 30,967	\$ 10,208	\$ 1,293,332	\$ 790,270	\$ 101,673	\$ 2,226,450
Investments	2,536,744				2,484,774	5,021,518
Prepays	226,867					226,867
Receivables:						
Accrued interest	13,629	23	5,108	2,403	15,020	36,183
Other			29,040			29,040
Due from other funds	610,567		469,610	350,000		1,430,177
Total assets	\$ 3,418,774	\$ 10,231	\$ 1,797,090	\$ 1,142,673	\$ 2,601,467	\$ 8,970,235
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	195,060		33,008	297,462	23,300	548,830
Due to other funds			458,897		1,395	460,292
Deferred revenue			27,732			27,732
Long-term advances from local improvement revolving fund	2,195,763		1,441,258			3,637,021
Total liabilities	2,390,823	-	1,960,895	297,462	24,695	4,673,875
Fund balances (deficit):						
Designated for:						
Specific programs	8,416			28,952	2,576,772	2,614,140
Undesignated	1,019,535	10,231	(163,805)	816,259		1,682,220
Total fund balances (deficit)	1,027,951	10,231	(163,805)	845,211	2,576,772	4,296,360
Total liabilities and fund balances	\$ 3,418,774	\$ 10,231	\$ 1,797,090	\$ 1,142,673	\$ 2,601,467	\$ 8,970,235

City of Southfield
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Capital Project Funds
For the Year Ended June 30, 2005

	Capital Improvement Fund	Civic Center Improvement Fund	Special Assessment Construction Fund	Building Authority Construction Fund	Library Building Authority Construction Fund	Total
REVENUES						
Charges for services			\$ 217,271			\$ 217,271
Investment earnings (loss)	\$ 54,561	\$ 175	\$ 27,542	\$ 44,081	\$ 60,121	\$ 186,480
Other	2,949		22,069			25,018
Total revenues	<u>57,510</u>	<u>175</u>	<u>266,882</u>	<u>44,081</u>	<u>60,121</u>	<u>428,769</u>
EXPENDITURES						
Capital outlay, construction and other costs	2,781,154		213,174	2,917,988	373,577	6,285,893
Principal retirement	266,416					266,416
Interest expense	150,935					150,935
Total expenditures	<u>3,198,505</u>	<u>-</u>	<u>213,174</u>	<u>2,917,988</u>	<u>373,577</u>	<u>6,703,244</u>
Excess (deficiency) of revenues over (under) expenditures	(3,140,995)	175	53,708	(2,873,907)	(313,456)	(6,274,475)
OTHER FINANCING SOURCES (USES)						
Transfers in			17,930	350,000		3,500,807
Transfers out	3,132,877				(136,740)	(136,740)
Total other financing sources (uses)	<u>3,132,877</u>	<u>-</u>	<u>17,930</u>	<u>350,000</u>	<u>(136,740)</u>	<u>3,364,067</u>
Net change in fund balances	(8,118)	175	71,638	(2,523,907)	(450,196)	(2,910,408)
Fund balances (deficit) - beginning	<u>1,036,069</u>	<u>10,056</u>	<u>(235,443)</u>	<u>3,369,118</u>	<u>3,026,968</u>	<u>7,206,768</u>
Fund balances (deficit) - ending	\$ <u>1,027,951</u>	\$ <u>10,231</u>	\$ <u>(163,805)</u>	\$ <u>845,211</u>	\$ <u>2,576,772</u>	\$ <u>4,296,360</u>

INTERNAL SERVICE FUNDS

These funds are cost control centers that operate on a full accrual basis to account for the financing of specific equipment and services provided to other City operations based on user charges.

MOTOR POOL FUND

This fund acquires and maintains vehicles and equipment, including heavy construction and maintenance items and police vehicles.

EQUIPMENT REVOLVING FUND

This fund acquires and maintains office equipment for all operations and provides for replacement of fire equipment, parks and recreation equipment and library equipment.

FACILITIES MAINTENANCE FUND

This fund accounts for the ongoing maintenance of the City's physical plant, as well as construction projects carried out by in-house staff. Annual pro-rated maintenance charges and non-recurring special project billings are collected from operating departments in support of this fund's activities.

EMPLOYEE INCENTIVE LOAN PROGRAM FUND

This fund was created to encourage City employees to choose Southfield as their city of residence and to support the City's goals of neighborhood stability and redevelopment. Monies loaned to employees as an incentive to purchase a home in Southfield are repaid over a period not to exceed seven years.

INSURANCE RISK RETENTION FUND

This fund is utilized to account for retroactive premium adjustments, as a provision for claims in excess of the City's insurance coverage, and for loss prevention and risk management initiatives.

LOCAL IMPROVEMENT REVOLVING FUND

This fund was established to provide a means for the internal financing of public improvements, where appropriate. Most monies loaned to other funds are to be repaid with interest.

City of Southfield
Combining Statement of Net Assets
Internal Service Funds
June 30, 2005

ASSETS	Motor Pool Fund	Equipment Revolving Fund	Facilities Maintenance Fund	Employee Incentive Loan Program Fund	Insurance Risk Retention Fund	Local Improvement Revolving Fund	Total
Current assets:							
Cash and cash equivalents	\$ 22,975	\$ 32,600	\$ 405,630	\$ 149,896	\$ 695,018	\$ 456,020	\$ 1,762,139
Investments	648,980	9,364,757	683,408		5,622,651	8,752,106	25,071,902
Receivables (net)	4,160	48,485	13,112	329	28,337	45,827	140,250
Prepays	25,800		8,314				34,114
Due from other funds	1,561,761	364,051	1,242,247		250,000	43,593	3,461,652
Due from component units						24,399	24,399
Inventory	276,165						276,165
Total current assets	<u>2,539,841</u>	<u>9,809,893</u>	<u>2,352,711</u>	<u>150,225</u>	<u>6,596,006</u>	<u>9,321,945</u>	<u>30,770,621</u>
Noncurrent assets:							
Long-term advances to other funds							
Long-term advances to component units							
Long-term advances to employees							
Capital assets:							
Machinery and equipment	13,756,121	10,060,160	602,481				24,418,762
Less accumulated depreciation	(10,368,024)	(6,810,657)	(300,481)				(17,479,162)
Net capital assets	3,388,097	3,249,503	302,000	-	-	-	6,939,600
Total noncurrent assets	<u>3,388,097</u>	<u>3,249,503</u>	<u>302,000</u>	<u>53,498</u>	<u>-</u>	<u>10,279,207</u>	<u>17,272,305</u>
Total assets	<u>5,927,938</u>	<u>13,059,396</u>	<u>2,654,711</u>	<u>203,723</u>	<u>6,596,006</u>	<u>19,601,152</u>	<u>48,042,926</u>
LIABILITIES							
Current liabilities:							
Accounts payable	143,545	82,106	266,060	14	24,055	4,879	520,659
Accrued payroll	15,380		57,553				72,933
Accrued compensated absences	5,825		29,883				35,708
Due to other funds	63,901		534,864		196	303,874	902,835
Total current liabilities	<u>228,651</u>	<u>82,106</u>	<u>888,360</u>	<u>14</u>	<u>24,251</u>	<u>308,753</u>	<u>1,532,135</u>
Noncurrent liabilities:							
Accrued compensated absences	197,933		374,904				572,837
Total liabilities	<u>426,584</u>	<u>82,106</u>	<u>1,263,264</u>	<u>14</u>	<u>24,251</u>	<u>308,753</u>	<u>2,104,972</u>
NET ASSETS (DEFICIT)							
Invested in capital assets, net of related debt	3,388,097	3,249,503	302,000				6,939,600
Unrestricted	2,113,257	9,727,787	1,089,447	203,709	6,571,755	19,292,399	38,998,354
Total net assets	<u>\$ 5,501,354</u>	<u>\$ 12,977,290</u>	<u>\$ 1,391,447</u>	<u>\$ 203,709</u>	<u>\$ 6,571,755</u>	<u>\$ 19,292,399</u>	<u>\$ 45,937,954</u>

City of Southfield

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds

For the Year Ended June 30, 2005

	Motor Pool Fund	Equipment Revolving Fund	Facilities Maintenance Fund	Employee Incentive Loan Program Fund	Insurance Risk Retention Fund	Local Improvement Revolving Fund	Total
OPERATING REVENUES							
Charges for consumption and service	\$ 3,279,833	\$ 1,246,842	\$ 5,630,171		\$ 734,204	\$ 193,586	\$ 10,156,846
Other	131,697	102,680	59,704		734,204	193,586	1,221,871
Total operating revenue	3,411,530	1,349,522	5,689,875	-	734,204	193,586	11,378,717
OPERATING EXPENSES							
Administration	57,256		2,194,956				2,252,212
Equipment and facility operation:							
Equipment maintenance	1,887,171	21,190					1,908,361
Communications	397,893						397,893
Maintenance staff			1,175,286				1,175,286
Custodial staff			1,809,462				1,809,462
Depreciation	1,127,767	796,259	69,316				1,993,342
Other		10,369		\$ 491	851,761	9,694	872,315
Total operating expenses	3,470,087	827,818	5,249,020	491	851,761	9,694	10,408,871
Operating income (loss)	(58,557)	521,704	440,855	(491)	(117,557)	183,892	969,846
NONOPERATING REVENUES (EXPENSES)							
Gain or (loss) on disposition of assets	(116,885)	(1,315)					(118,200)
Investment income (loss)	18,157	179,183	22,994	2,934	113,885	146,567	483,720
Total nonoperating revenues	(98,728)	177,868	22,994	2,934	113,885	146,567	365,520
Income (loss) before transfers	(157,285)	699,572	463,849	2,443	(3,672)	330,459	1,335,366
OTHER FINANCING USES							
Transfers out	(39,397)		(449,083)			(718,359)	(1,206,839)
Change in net assets	(196,682)	699,572	14,766	2,443	(3,672)	(387,900)	128,527
Total net assets - beginning	5,698,036	12,277,718	1,376,681	201,266	6,575,427	19,680,299	45,809,427
Total net assets - ending	5,501,354	12,977,290	1,391,447	203,709	6,571,755	19,292,399	45,937,954

City of Southfield
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2005

	Motor Pool Fund	Equipment Revolving Fund	Facilities Maintenance Fund	Employee Incentive Loan Program Fund	Insurance Risk Retention Fund	Local Improvement Revolving Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from users	\$ 2,044,205	\$ 992,414	\$ 4,605,010	\$ (11,704)	\$ 730,020	\$ 665,034	\$ 9,024,979
Cash paid to employees	(1,097,450)		(2,706,046)		(750,925)		(4,554,421)
Cash paid to suppliers	(1,156,564)	18,202	(2,111,881)	(477)	(94,029)	290,355	(3,054,394)
Net cash provided by (used in) operating activities	(209,809)	1,010,616	(212,917)	(12,181)	(114,934)	955,389	1,416,164
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers out	(39,397)		(449,083)			(718,359)	(1,206,839)
Net cash used in noncapital and related financing activities	(39,397)		(449,083)			(718,359)	(1,206,839)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Purchases of property and equipment	(798,504)	(416,787)	(30,741)				(1,246,032)
Net cash used in capital and related financing activities	(798,504)	(416,787)	(30,741)				(1,246,032)
CASH FLOWS FROM INVESTING ACTIVITIES							
Investment income	23,976	193,007	20,830	2,710	128,498	158,858	527,879
Net cash provided by investing activities	23,976	193,007	20,830	2,710	128,498	158,858	527,879
Net increase (decrease) in cash, cash equivalents and investment	(1,023,734)	786,836	(671,911)	(9,471)	13,564	395,888	(508,828)
Cash, cash equivalents and investments, beginning of year	1,695,689	8,610,521	1,760,949	159,367	6,304,105	8,812,238	27,342,869
Cash, cash equivalents and investments, end of year	\$ 671,955	\$ 9,397,357	\$ 1,089,038	\$ 149,896	\$ 6,317,669	\$ 9,208,126	\$ 26,834,041
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (58,557)	\$ 521,704	\$ 440,855	\$ (491)	\$ (117,557)	\$ 183,892	\$ 969,846
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:							
Depreciation expense	1,127,767	796,259	69,316				1,993,342
Other receivables	8,847		35,880		65,816		110,543
Prepays	(19,404)	980	(1,330)				(19,754)
Due from other funds	(1,387,158)	(358,088)	(1,119,415)		(70,000)	(11,681)	(2,946,342)
Inventory	30,390						30,390
Long-term advances						(756,410)	(756,410)
Long-term advances to component units						1,239,539	1,239,539
Long-term advances to employees				(11,704)			(11,704)
Accounts payable	86,134	56,378	26,693	14	6,807	(2,205)	173,821
Accrued payroll	(23,537)		(19,639)				(43,176)
Accrued compensated absences	(29,339)		(15,047)				(44,386)
Long-term debt		(6,617)					(6,617)
Due to other funds	55,048		369,770			302,254	727,072
Net cash provided by (used in) operating activities	\$ (209,809)	\$ 1,010,616	\$ (212,917)	\$ (12,181)	\$ (114,934)	\$ 955,389	\$ 1,416,164

PENSION TRUST FUNDS

PENSION TRUST

This fund accounts for employee and employer pension contributions, accumulated assets, administrative expenses, investment income and payments to beneficiaries.

RETIREE HEALTH CARE BENEFITS PLAN & TRUST

The fund accounts for employer post retirement health care contributions, accumulated assets, administrative expenses and investment income. Payments for beneficiaries are not anticipated until the reserves for post retirement health care benefits have been depleted in the pension trusts.

City of Southfield
Combining Statement of Fiduciary Net Assets
Pension (and Other Post-Employment Benefits) Trust Funds
June 30, 2005

	Fire and Police	Employee Retirement	Retiree Health Care Benefits Plan & Trust	Totals
ASSETS				
Cash equivalents	\$ 2,920,792	\$ 1,862,934	\$ 16,666	\$ 4,800,392
Investments, at fair value:				
Government obligations	12,173,217	8,331,923		20,505,140
Corporate bonds	45,777,991	8,216,491	1,279,443	55,273,925
Common stock	122,228,799	59,695,106	5,114,404	187,038,309
Real estate and other	17,507,617	10,745,251		28,252,868
Total investments	197,687,624	86,988,771	6,393,847	291,070,242
Receivables:				
Accrued investment income	782,538	278,255	14,881	1,075,674
Due from other funds	1,785	21,961	77,114	100,860
Due from component units		140	61	201
Total assets	201,392,739	89,152,061	6,502,569	297,047,369
LIABILITIES				
Accounts payable	1,739	46	14,744	16,529
Due to other funds	1,463,284	1,121,355		2,584,639
Total liabilities	1,465,023	1,121,401	14,744	2,601,168
NET ASSETS				
Reserved for pension benefits	199,927,716	88,030,660		287,958,376
Reserved for post-retirement health care benefits			6,487,825	6,487,825
Total net assets	\$ 199,927,716	\$ 88,030,660	\$ 6,487,825	\$ 294,446,201

City of Southfield
Combining Statement of Changes in Fiduciary Net Assets
Pension (and Other Post-Employment Benefits) Trust Funds
For the Year Ended June 30, 2005

	Fire and Police	Employee Retirement	Retiree Health Care Benefits Plan & Trust	Totals
ADDITIONS				
Contributions:				
Plan members	\$ 800,169	\$ 4,973		\$ 805,142
Employer	<u>3,731,299</u>	<u>1,606,922</u>	\$ <u>2,638,596</u>	<u>7,976,817</u>
Total contributions	4,531,468	1,611,895	2,638,596	8,781,959
Investment earnings:				
Net increase (decrease) in fair value of investments	5,012,894	(889,344)	57,222	4,180,772
Interest	2,563,796	1,618,185	131,152	4,313,133
Dividends	2,154,604	535,298		2,689,902
Realized gain (loss) on sale of investments	<u>5,767,907</u>	<u>6,524,554</u>	<u>(20)</u>	<u>12,292,441</u>
Total investment earnings	15,499,201	7,788,693	188,354	23,476,248
Less investment expense:	489,840	386,343	11,060	887,243
Net investment earnings	<u>15,009,361</u>	<u>7,402,350</u>	<u>177,294</u>	<u>22,589,005</u>
Total additions	<u>19,540,829</u>	<u>9,014,245</u>	<u>2,815,890</u>	<u>31,370,964</u>
DEDUCTIONS				
Benefits	13,422,983	4,496,822		17,919,805
Health care expense	1,901,179	644,191		2,545,370
Administrative expense	<u>317,403</u>	<u>135,231</u>	<u>51,034</u>	<u>503,668</u>
Total deductions	<u>15,641,565</u>	<u>5,276,244</u>	<u>51,034</u>	<u>20,968,843</u>
Net increase	3,899,264	3,738,001	2,764,856	10,402,121
Net assets - beginning	<u>196,028,452</u>	<u>84,292,659</u>	<u>3,722,969</u>	<u>284,044,080</u>
Net assets - ending	\$ <u>199,927,716</u>	\$ <u>88,030,660</u>	\$ <u>6,487,825</u>	\$ <u>294,446,201</u>

AGENCY FUNDS

IMPREST PAYROLL

This fund is a clearing-account for payroll disbursements which is replenished from other funds.

DEPOSITS AND ESCROW

This fund is for builders' cash bonds and similar escrow deposits.

46TH DISTRICT COURT

This fund is for the activity of adjoining municipalities served by the 46th District Court of the State of Michigan. The City acts as district control unit for the 46th District Court.

City of Southfield
Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2005

	<u>Imprest Payroll</u>	<u>Deposits and Escrow</u>	<u>46th District Court</u>	<u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 2,613,583	\$ 392,110	\$ 971,583	\$ 3,977,276
Investments		3,146,823		3,146,823
Receivables, net	20,646	17,761		38,407
Due from other funds	298,722			298,722
Due from component units	63,368			63,368
Total assets	<u>\$ 2,996,319</u>	<u>\$ 3,556,694</u>	<u>\$ 971,583</u>	<u>\$ 7,524,596</u>
LIABILITIES				
Accounts payable	2,011,276	12,400		2,023,676
Deposits and escrow		3,465,700	174,998	3,640,698
Due to other funds	984,400	78,594		1,062,994
Due to component units	643			643
Due to other governmental units			796,585	796,585
Total liabilities	<u>\$ 2,996,319</u>	<u>\$ 3,556,694</u>	<u>\$ 971,583</u>	<u>\$ 7,524,596</u>

City of Southfield
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2005

	<u>Balance at July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2005</u>
IMPREST PAYROLL				
ASSETS				
Cash equivalents	\$ 1,956,842	\$ 656,741		\$ 2,613,583
Receivables, net	4,545	16,101		20,646
Due from other funds	362,915	64,193	\$ 128,386	298,722
Due from component units		63,368		63,368
TOTAL ASSETS	\$ 2,324,302	\$ 800,403	\$ 128,386	\$ 2,996,319
LIABILITIES				
Accounts payable	\$ 185,089	\$ 1,826,187		\$ 2,011,276
Deposits and escrow	2,567		\$ 2,567	
Due to other funds	2,136,646	1,152,246	2,304,492	984,400
Due to component units		643		643
TOTAL LIABILITIES	\$ 2,324,302	\$ 2,979,076	\$ 2,307,059	\$ 2,996,319
DEPOSITS AND ESCROW				
ASSETS				
Cash equivalents	\$ 495,052		\$ 102,942	\$ 392,110
Investments	2,857,226	\$ 289,597		3,146,823
Receivables, net	22,452		4,691	17,761
TOTAL ASSETS	\$ 3,374,730	\$ 289,597	\$ 107,633	\$ 3,556,694
LIABILITIES				
Accounts payable	\$ 257,019	\$ 244,619	\$ 489,238	\$ 12,400
Deposits and escrow	3,062,905	402,795		3,465,700
Due to other funds	54,806	23,788		78,594
TOTAL LIABILITIES	\$ 3,374,730	\$ 671,202	\$ 489,238	\$ 3,556,694

City of Southfield
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2005

	<u>Balance at July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2005</u>
46th DISTRICT COURT				
ASSETS				
Cash equivalents	\$ 869,895	\$ 101,688		\$ 971,583
Receivables, net	<u>13,926</u>		<u>\$ 13,926</u>	
TOTAL ASSETS	<u>\$ 883,821</u>	<u>\$ 101,688</u>	<u>\$ 13,926</u>	<u>\$ 971,583</u>
LIABILITIES				
Deposits and escrow	\$ 142,864	\$ 32,134		\$ 174,998
Due to other governmental units	<u>740,957</u>	<u>55,628</u>		<u>796,585</u>
TOTAL LIABILITIES	<u>\$ 883,821</u>	<u>\$ 87,762</u>	<u>\$ -</u>	<u>\$ 971,583</u>

TOTALS - ALL AGENCY FUNDS

ASSETS				
Cash equivalents	\$ 3,321,789	\$ 758,429	\$ 102,942	\$ 3,977,276
Investments	2,857,226	289,597		3,146,823
Receivables, net	40,923	16,101	18,617	38,407
Due from other funds	362,915	64,193	128,386	298,722
Due from component units	<u>63,368</u>	<u>63,368</u>		<u>63,368</u>
TOTAL ASSETS	<u>\$ 6,582,853</u>	<u>\$ 1,191,688</u>	<u>\$ 249,945</u>	<u>\$ 7,524,596</u>
LIABILITIES				
Accounts payable	\$ 442,108	\$ 2,070,806	\$ 489,238	\$ 2,023,676
Deposits and escrow	3,208,336	434,929	2,567	3,640,698
Due to other funds	2,191,452	1,176,034	2,304,492	1,062,994
Due to component units		643		643
Due to other governmental units	<u>740,957</u>	<u>55,628</u>		<u>796,585</u>
TOTAL LIABILITIES	<u>\$ 6,582,853</u>	<u>\$ 3,738,040</u>	<u>\$ 2,796,297</u>	<u>\$ 7,524,596</u>

(continued)

City of Southfield
Combining Balance Sheets
Discretely Presented Component Units
June 30, 2005

	Governmental					
	Local Development Finance Authority	Tax Increment Finance Authority	Economic Development Corporation	Downtown Development Authority	Brownfield Re-development Authority	Joint Local Development Finance Authority
Totals						
ASSETS						
Cash and cash equivalents	\$ 656,609	\$ 20,412	\$ 158,923	\$ 100,221	\$ 5,120	\$ 1,058,224
Investments		5,029,859		1,284,545		6,314,404
Receivables:						
Accrued interest						
Other	3,825	22,404	848	6,842	11	34,191
Prepays	45,040	98,959	600	209,437	29,017	383,053
Due from fiduciary	643			1,184		1,184
Due from primary government	6,387	28,526		12,057		643
Total assets	712,504	5,200,160	160,371	1,614,286	34,148	7,838,669
LIABILITIES						
Accounts payable	8,248	1,158	1,201	39,657	7,769	58,033
Accrued payroll	1,066	220	2,167	6,557		10,010
Accrued compensated absences	48,238			27,565		75,803
Due to fiduciary	496	538	586	61,949		63,569
Due to primary government	1,038		999	93,175	7,500	102,712
Due to other governments						
Long-term advances from local improvement revolving fund						2,374,490
Total liabilities	4,814,442	2,376,406	4,953	665,458	15,269	5,479,900
FUND BALANCE						
Undesignated	(4,161,024)	2,823,754	155,418	719,925	18,879	(325,848)
Total liabilities and fund balances	\$ 712,504	\$ 5,200,160	\$ 160,371	\$ 1,614,286	\$ 34,148	\$ 7,838,669

City of Southfield
Reconciliation of the Balance Sheet -
Governmental Funds to the Government-wide
Statement of Net Assets
June 30, 2005

Fund balance for governmental activities	\$	(325,848)
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Amounts reported for governmental activities
in the statement of net assets are different
because:

Capital assets used in governmental activities
are not financial resources and, therefore, are
not reported in the funds.

465,391

Government-wide net assets of governmental activities	\$	<u>139,543</u>
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City of Southfield

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Discretely Presented Component Units For the Year Ended June 30, 2005

	Governmental						
	Local Development Finance Authority	Tax Increment Finance Authority	Economic Development Corporation	Downtown Development Authority	Brownfield Re-development Authority	Joint Local Development Finance Authority	Totals
REVENUES							
Taxes	\$ 1,073,967	\$ 1,251,289	\$	745,775	\$	116,478	\$ 3,187,509
Charges for services				312,402	12,241		324,643
Investment income	22,412	72,590	4,444	24,183	74	722	124,425
Other				1,779	31,017		32,796
Total revenues	1,096,379	1,323,879	4,444	1,084,139	43,332	117,200	3,669,373
EXPENDITURES							
Administration	49,864	31,112		751,146	29,057		861,179
Community improvement	54,610		20,176				74,786
Interest	30,983						30,983
Other	15,395	4,196	5,250				24,841
Total expenditures	150,852	35,308	25,426	751,146	29,057	-	991,789
Net change in fund balances	945,527	1,288,571	(20,982)	332,993	14,275	117,200	2,677,584
Fund balances (deficit) - beginning	(5,106,551)	1,535,183	176,400	386,932	4,604	-	(3,003,432)
Fund balances (deficit) - ending	\$ (4,161,024)	\$ 2,823,754	\$ 155,418	\$ 719,925	\$ 18,879	\$ 117,200	\$ (325,848)

City of Southfield
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Government-wide Statement of Activities
For the Year Ended June 30, 2005

Net change in fund balances – total governmental funds	\$	2,677,584
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

9,241

Change in net assets government-wide statement of governmental activities	\$	<u>2,686,825</u>
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City Of Southfield, Michigan

Governmental Expenditures By Function (1) Last Ten Fiscal Years

Fiscal Year	General Gov't. (2) (3)	Public Safety	Highways And Streets	Public Services	Parks And Recreation (4)	Library (4)	Debt Service	Total
1996	\$ 24,279,309	\$ 31,113,228	\$ 7,119,385	\$ 3,504,960	\$ 7,905,936	\$ 2,838,927	\$ 3,907,107	\$ 80,668,852
1997	23,135,329	31,672,422	7,998,167	3,531,327	7,847,961	3,055,335	4,314,461	81,555,002
1998	26,082,932 (5)	34,006,634	9,139,233	3,473,784	6,241,204 (6)	3,028,802	4,110,039	86,082,628
1999	21,630,126	33,219,119	11,062,784	3,697,838	6,206,639 (6)	2,929,199	3,997,913	82,743,618
2000	24,919,150 (7)	34,579,263	7,088,625	3,514,849	7,499,912	3,011,721	3,492,086	84,105,406
2001	25,621,771 (8)	36,041,768	15,483,061 (9)	3,877,770	8,009,409	3,151,360	4,178,052	96,363,191
2002	39,924,173 (10)	36,811,286	14,950,758	3,858,964	8,164,746	3,260,348	4,464,042	111,434,327
2003	42,634,591 (11)	37,987,626	15,905,920	4,375,788	8,062,432	3,976,496	2,906,794	115,849,647
2004	33,122,785	40,575,743	9,938,064	4,051,890	7,815,285	5,237,244	2,323,407	103,084,418
2005	25,951,115	42,957,930	10,233,510	4,169,299	7,792,691	5,560,470	3,593,950	100,258,965

Notes:

- (1) Includes general, special revenue, capital projects, and debt service funds; also includes component units. Does not include expendable trust or non-profit housing.
- (2) Includes all expenditures not shown separately.
- (3) Excludes fiduciary funds.
- (4) Combining Statement of Revenue, Expenditures and Changes in Fund Balance, Non-major Governmental Funds-Special Revenue Funds (2003 - 2005), Exhibit C-2 (1994-2002)
- (5) Included \$2.746 million in capital renovations.
- (6) Golf course activity recorded in an enterprise fund.
- (7) Included \$2.057 million in capital projects for golf course renovations.
- (8) Includes \$3.764 million in Library construction.
- (9) Includes \$6.955 million in bridge construction. Also reflects increases in road maintenance and construction, expenditures for I-696 freeway system improvements, and fluctuations in the timing of engineering and other internal charges for capital projects at various stages of completion.
- (10) Includes \$13,640 million for Library construction, \$2.052 million for ball field construction, \$569,000 for DPW garage roof repair project and \$218,000 for Public Safety locker room improvements.
- (11) Includes \$11,405 million for Library construction, \$255,460 for ballfield construction, \$222,560 for DPW garage roof repair project, \$89,061 for Civic Center improvements, \$37,889 for Cable renovations, \$59,683 for Fire Hall #5 Improvements and \$24,739 for the Court Building improvements.

City Of Southfield, Michigan

Governmental Revenues By Source (1) Last Ten Fiscal Years

Fiscal Year Ending Jun 30	Taxes (2)	Licenses And Permits	Inter- Governmental	Charges For Services	Fines And Forfeitures	Investment Income	Other	Total
1986	\$ 40,916,494	\$ 1,566,907	\$ 15,697,338	\$ 12,231,306	\$ 2,505,104	\$ 4,383,775	\$ 2,316,000	\$ 79,616,924
1987	42,466,821	1,854,389	15,576,986	12,552,355	2,391,973	4,726,941	1,248,090	80,817,555
1988	43,910,070	2,082,963	17,258,616	11,938,296	2,323,022	3,923,085	(4) 1,960,781	83,396,833
1989	46,720,100	2,214,635	17,388,222	8,524,990	2,634,593	3,868,293	(4) 1,649,158	82,999,991
2000	48,720,484	2,321,821	17,658,307	9,674,002	3,187,397	3,274,632	(4) 2,148,768	86,985,405
2001	50,997,335 (3)	2,336,782	19,998,755	8,392,034	3,223,027	6,305,946	(4) 2,339,753	93,596,632
2002	52,855,386	2,504,585	19,827,155	8,843,399	3,879,502	6,432,134	(4) 1,915,360	96,257,521
2003	55,970,688	2,138,586	17,900,571	8,139,017	3,269,811	1,939,730	(4) 1,823,955	91,182,358
2004	54,873,260	2,139,257	21,515,052	7,637,466	3,654,601	391,341	(4) 5,574,413	95,421,390
2005	59,767,903	2,284,166	19,171,434	8,940,553	3,448,333	1,414,476	(4) 2,284,065	97,310,930

Notes:

- (1) Includes general, special revenue, capital, debt service funds, and component units, on pages 38 and 53. Does not include non-profit housing.
- (2) Includes all levies, fees, penalties and interest related to ad valorem taxes.
- (3) Includes first year of full levy of Library millage approved by the City's voters on March 9, 1999.
- (4) Adjusted for increase (decrease) in fair market value of investments in accordance with GASB 31.
- (5) Included \$682,638 sale of property.
- (6) Includes \$3,350,000 sale of building.

City Of Southfield, Michigan

Property Tax Levies and Collections Last Ten Fiscal Years

Fiscal Year Ending Jun 30	Total Tax Levy	Current Tax Collections	Percent Of Levy Collected	Delinquent Real Tax Reimburse	Delinquent Personal Tax Collections	Total Real Tax Collections	Percent Of Total Tax Collect To Tax Levy	Out-standing Delinq. Personal Taxes	Percent of Delinq. Taxes To Tax Levy
1996	\$ 37,857,818	\$ 36,644,504	96.8 %	\$ 1,019,519	\$ 17,903	\$ 37,681,926	99.5%	\$ 175,892	0.5 %
1997	38,451,424	38,159,687	96.7	1,017,902	54,445	39,232,034	99.4	219,390	0.5
1998	40,826,342	39,085,268	95.7	1,301,668	60,048	40,446,984	99.1	191,941	0.5
1999	43,396,062	41,713,067	96.1	1,449,925	68,630	43,231,622	99.6	203,305	0.5
2000	44,827,185	43,086,171	96.1	1,531,350	67,295	44,617,521	98.5	209,664	0.5
2001	47,637,367 *	45,397,597	95.3	1,763,241	25,252	47,160,838	99.0	476,529	1.0
2002	48,423,568	45,844,481	94.7	2,066,704	11,574	47,911,185	98.9	512,383	1.1
2003	50,904,589	47,932,449	94.2	2,372,308	58,622	50,304,756	98.8	599,832	1.2
2004	52,521,185	49,823,413	94.9	2,154,404	40,969	52,018,785	99.0	539,288	1.0
2005	52,916,497	52,142,667	94.9	2,286,487	37,729	54,466,883	99.2	487,285	0.9

* Reflects first year of full levy of Library millage approved by the City's voters on March 9, 1999.

City Of Southfield, Michigan

Assessed Value (AV) Of Taxable Property Last Ten Fiscal Years

State Equalized Valuation (SEV) (1) / Taxable Valuation (TV) (2)

FY Ending 30-Jun	Real Property(AV)	Personal Property(AV)	Total Property(SEV)	TV	Increase %
1986	\$ 1,937,901,930	\$ 420,264,150	\$ 2,358,166,080	\$ 2,338,972,710	1.9
1987	2,034,464,139	449,214,700	2,483,678,839	2,425,365,701	3.7
1988	2,172,866,966	468,287,000	2,641,153,966	2,514,270,106	3.7
1989	2,526,692,210	532,421,094	3,059,113,304	2,707,964,479	7.7
2000	2,682,684,450	562,771,170	3,245,455,620	2,825,989,180	4.4
2001	2,955,145,140	497,451,340	3,452,596,480	2,929,875,361	3.7
2002	3,159,012,430	513,878,170	3,672,890,600	3,078,615,873	5.1
2003	3,416,720,090	519,877,800	3,936,597,890	3,230,941,830	4.9
2004	3,583,436,040	457,372,200	4,040,808,240	3,268,025,510	1.1
2005	3,727,441,360	452,521,050	4,179,962,410	3,366,748,000	3.6

Notes:

(1) In accordance with the 1970 State of Michigan Constitution, SEV is 50% of appraised or estimated fair market value.

(2) On March 15, 1994, Michigan voters approved changes in the property tax system which affects municipal budgets by placing a cap on taxable value (TV) that is used to compute property tax revenues. Under the changes, effective with the 1995-96 fiscal year, real property assessed value (AV) continues to be adjusted to reflect fair market value, while the taxable value adjustment is limited to the lesser of 5% or the rate of inflation provided the property remained in the same ownership. Upon a property transfer, the cap is removed the following year, increasing the taxable value to the same level as the assessed value, thus established a new base for the again capped taxable value. Previously, real property was adjusted to market value for tax purposes on an annual basis and was not subject to a per parcel limitation or cap. Prior to the 1995-96 fiscal year, all assessed value was taxable. Now, and in the future, some growth in assessed value will not be taxable. The traditional terminology of "State Equalized Value" (SEV) still exists. However, since SEV no longer represents the tax revenue producing power of a municipality, the term "taxable value" is now the fiscally relevant terminology.

City of Southfield, Michigan

Property Tax Rates (Per \$1,000 of Taxable Assessed Value)

Fiscal Year Ending June 30	General Fund				Special Revenue Funds				Debt Service Funds				Total All Rates
	Operating	Public Safety	Fire & Police	Parks & Rec.	Library	Street Maint.	Public Act 298 of 1917	Drains At Large	Building Authority				
1996	6.957	2.981	1.699	1.739	0.950	0.994	0.464		0.634				16.418
1997	6.957	2.981	1.811	1.739	0.994	0.994	0.478		0.510				16.462
1998	6.957	2.981	1.822	1.739	0.994	0.994	0.478		0.489				16.452
1999	6.900	2.957	1.728	1.725	0.986	0.986	0.455		0.492				16.227
2000	6.829	2.927	1.382	1.707	1.305	0.975	0.455		0.468				16.048
2001	6.645	2.848	1.350	1.661	2.105	0.949	0.508		0.380				16.446
2002	6.609	2.833	1.291	1.652	2.093	0.944	0.535		0.307				16.284
2003	6.609	2.833	1.301	1.652	2.093	0.944	0.440		0.275				16.147
2004	6.609	2.833	1.458	1.652	2.093	0.944	0.491		0.262				16.342
2005	6.609	2.833	1.602	1.652	2.093	0.944	0.423	0.159	0.028				16.343

ALL OVERLAPPING GOVERNMENTS

Fiscal Year Ending June 30	Southfield		Oakland County		Oakland County		Oakland County		Birmingham		Oak Park	
	General Fund	Special Revenue Funds	Debt Service Funds	Total City	Public School	Intermediate	Operating Levy	Community College	Public School	Public School	Public School	Public School
1996	11.637	4.147	0.634	16.418 **	30.561	2.129	5.278	1.652	20.073	14.300	14.300	14.300
1997	11.749	4.203	0.510	16.462 **	30.494	2.129	5.178	1.652	19.770	14.300	14.300	14.300
1998	11.760	4.203	0.499	1.462 **	30.246	2.129 ++	5.148	1.652	19.010	14.300	14.300	14.300
1999	11.584	4.152	0.492	16.227 **	29.881	2.121 ++	4.986	1.646	20.010	14.300	14.300	14.300
2000	11.137	4.443	0.488	16.048 **	29.865	2.100 ++	4.979	1.630	19.700	14.298	14.298	14.298
2001	10.843	5.223	0.360	16.446 **	28.909	3.453 ++	4.965	1.595	18.485	14.272	14.272	14.272
2002	10.733	5.225	0.307	16.264	28.909	3.453	4.965	1.595	18.485	14.273	14.273	14.273
2003	10.748	5.130	0.275	16.153	28.895	3.422	5.252	1.609	17.751	14.173	14.173	14.173
2004	10.900	5.181	0.262	16.343	27.895	3.400	5.247	1.598	18.427	12.310	12.310	12.310
2005	11.044	5.113	0.187	16.343	27.895	3.379	5.244	1.589	18.413	13.000	13.000	13.000

Notes:

* Southfield Public Schools are used in the example because their portion of taxable assessed valuation (\$2,865,225,040) is the largest in the City.

Comparative rates are presented for Birmingham and Oak Park Schools.

** Rate includes 6 mills for state education.

+ Homestead rate used.

++ Includes Suburban Mobility Authority Regional Transportation (S.M.A.R.T.) tax.

City Of Southfield, Michigan

Special Assessment Billings And Collections Last Ten Fiscal Years

Fiscal Year Ending June 30	Current Assessment Billing				Current Assessments Collected	% Ratio Of Collections To Amount Due	Total Assessments Outstanding
	New Projects	Principal	Prior Projects Interest	Total			
1996	\$ 17,077	\$ 154,126	\$ 6,398	\$ 177,601	203,713	88.0	\$ 1,021,372
1997	0	138,421	53,048	191,469	200,282	105.0	642,173
1998	18,186	129,439	41,533	189,158	203,153	108.0	559,148
1999	19,167	124,759	32,354	176,280	157,098	90.0	494,989
2000	8,975	88,584	29,528	127,087	111,574	88.0	375,120
2001	5,950	93,105	22,122	121,177	101,646	84.0	304,348
2002	37,504	99,433	18,188	155,125	136,818	88.0	914,959
2003	0	91,637	43,484	135,121	118,973	88.0	770,249
2004	73,282	83,979	45,512	202,773	174,370	85.0	1,162,065
2005	179,710	387,913	48,477	616,100	413,297	67.1	1,127,136

City Of Southfield, Michigan

Computation of Direct and Overlapping Debt at June 30, 2005

	Principal Amount Outstanding	Debt - Principal Per Capita (1) (Pop. 78,296)	% Of State Equalized Value
DIRECT AND INDIRECT DEBT			
<u>Direct Debt</u>			
General Obligation Bonds-Limited Tax	\$ 4,900,000		
Building Authority Bonds	29,680,000		
Water & Sewer Revenue Bonds	31,813,789		
Michigan Transportation Fund Bonds	12,500,000		
	<u>78,893,789</u>	<u>1,007.63</u>	<u>1.89 %</u>
<u>Indirect Debt</u>			
Oakland County Contractual Obligations:			
- Drains At Large	\$ 10,049,184		
- Evergreen/Farmington Sewage Disposal	4,720,597		
	<u>14,769,781</u>	<u>188.64</u>	<u>0.35</u>
	<u>93,663,570</u>	<u>1,196.28</u>	<u>2.24</u>
<u>Less Deductions</u>			
Funds on hand to repay principal	8,670		
Building Authority	145,073		
Drains at Large	671,288		
Oakland County Obligations	<u>825,031</u>	<u>10.54</u>	<u>0.02</u>
	<u>92,838,539</u>	<u>1,185.74</u>	<u>2.22</u>
OVERLAPPING DEBT (2)			
Southfield School District	94,528,944		
Oak Park School District	1,811,730		
Birmingham School District	6,609,350		
Oakland County at Large	5,870,258		
Oakland County Intermediate School District	620,354		
Oakland County Community College	680,558		
	<u>110,121,194</u>	<u>1,406.47</u>	<u>2.63</u>
Overlapping Debt	<u>\$ 202,959,733</u>	<u>\$ 2,592.21</u>	<u>4.85</u>

Notes:

- (1) Final 2000 census data from the U.S. Census Bureau.
- (2) Overlapping debt figures supplied by the Michigan Advisory Council, Detroit, Michigan.

City Of Southfield, Michigan

Statement of Legal Debt Margin

June 30, 2005

	Debt Margin Calculation		Net Indebtedness	Applicable Percentage	Statutory Limit
	Gross Indebtedness	Statutory (1) Deductions			
State Equalized Value at 12/31/03:					
Debt Subject to Statutory Limitation				100 %	\$ 4,184,195,490
General Obligation Bonds-Limited Tax	\$ 4,900,000	\$	4,900,000		
Building Authority Bonds	29,680,000		29,680,000		
Oakland County Contractual Obligations-Drains	10,049,184		10,049,184		
Oakland County Contractual Obligations-Water	4,720,597		4,720,597		
Michigan Transportation Fund Bond	12,500,000		12,500,000		
Restricted Indebtedness	61,849,781		61,849,781	10	418,419,549
Emergency Bonds				0.375	15,690,733
Special Assessment Bonds				12	502,103,459
Total	61,849,781		61,849,781		\$ 936,213,741
State of Michigan Water Supply and Sewage Disposal Revenue Bonds Series to 8/30/02					
1998A (LTGO) 2.25%	1,462,048				
1998B (LTGO) 2.50%	11,190,000				
1999 (LTGO) 2.50%	10,466,741				
2000 (LTGO) 2.50%	8,695,000				
Total Water & Sewage Disposal Revenue Bonds		\$ 31,813,789			
Gross City Debt		\$ 93,663,570			

Note:

(1) Deductions are allowed for restricted bond and interest redemption deposits held by fiscal agents.

City Of Southfield, Michigan

Ratio of Net General Debt To Assessed Value And Net Bonded Debt Per Capita Last Ten Fiscal Years

Fiscal Year Ending June 30	Population	Taxable Value \$	Bonded Debt (1) \$	Service Funds Available In Debt \$	Net Bonded Debt \$	Ratio Of Net Bonded Debt To Taxable Value %	Net Bonded Debt Per Capita \$
1986	75,728	2,338,972,710	13,272,434	2,482,994	10,809,440	0.46	142.74
1987	75,728	2,425,365,701	11,853,289	2,079,668	9,573,623	0.39	126.42
1988	75,728	2,514,270,106	10,059,005	1,322,519	8,736,486	0.35	115.37
1989	75,728	2,707,964,479	8,442,845	1,539,685	8,442,845	0.31	111.49
2000	76,240	2,825,989,180	7,040,382	1,841,133	5,399,249	0.19	70.80
2001	78,286 (2)	2,929,875,361	37,283,425	2,505,457	34,777,968	1.19	444.19
2002	78,286	3,078,615,673	42,991,738	2,283,942	40,707,794	1.32	519.92
2003	78,286	3,230,941,830	41,391,437	1,931,390	39,460,047	1.22	503.99
2004	78,286	3,288,025,510	49,070,764	1,277,020	47,793,744	1.46	610.42
2005	78,286	3,482,048,152	61,849,781	825,031	61,024,750	1.75	779.00

Ratio of Annual Debt Service Expenditures For General Bonded Debt to Total General Expenditures Last Ten Fiscal Years

Fiscal Year Ending June 30	Principal	Debt Service Requirements Interest	Total	Total (3) General Expenditures	Ratio Of Debt Service To Expenditures
1986	2,695,530	1,850,588	4,546,118	76,781,745	5.9
1987	2,697,360	1,617,101	4,314,461	77,240,541	5.6
1988	2,757,508	1,352,533	4,109,998	81,972,589	5.0
1989	2,716,949	1,280,963	3,997,912	78,745,705	5.1
2000	2,567,589	924,497	3,492,086	84,105,406	4.2
2001	2,688,985	1,469,067	4,178,052	96,369,158 (4)	4.3
2002	2,143,970	2,320,072	4,464,042	111,434,327 (4)	4.2
2003	2,007,382	2,258,085	4,265,447	115,849,847	3.7
2004	4,108,647 (5)	1,980,810	6,089,657	103,185,170	5.9
2005	1,050,703 (6)	2,124,653	3,175,356	99,418,921	3.2

Notes:

- (1) Only includes general obligation debt that is being repaid through general property taxes.
- (2) Final census data from U.S. Census Bureau.
- (3) Includes general, special revenue, capital, and component units.
- (4) See S-1, notes 9-10.
- (5) Includes bond call.
- (6) Excludes bonds defeased in the amount of \$27,175,000.

City Of Southfield, Michigan

Demographic Statistics Last Ten Fiscal Years

Fiscal Year Ending Jun 30	Population (1)	Per Capita Income (2)	Median Age (2)	School Enrollment (3)	Unemployment Rate Percentage (4)	Retail Sales (000) (2)
1996	75,728	\$ 22,232	38.9	9,493	3.6 %	\$ 1,976,412
1997	75,728	22,385	35.0	9,423	4.5	2,005,945
1998	75,728	22,927	35.2	9,497	2.5	1,964,170
1999	75,728	24,248	35.4	9,539	2.8	2,118,796
2000	76,240	24,983	35.7	9,472	2.5	2,802,830
2001	78,296	27,023	35.9	9,878	4.2	2,764,128
2002	78,296	23,835	35.7	10,195	5.9	2,802,830
2003	78,296	27,023	35.9	10,631	5.9	2,764,128
2004	78,296	23,485	36.2	10,007	5.5	2,342,814
2005	78,296	21,990	36.2	10,099	7.9	2,315,321

Notes:

- (1) 1990/2000 Census Data From U.S. Census Bureau.
- (2) Survey of Buying Power: Sales and Marketing Management, New York, N.Y.
- (3) Southfield Public Schools, Southfield, Michigan.
- (4) Michigan Employment Security Commission.

City Of Southfield, Michigan

Summary of Demand and Savings Deposits By Type of Institution Last Ten Years

Fiscal Year Ending June 30	Deposits (\$000s) (1)			
	Banks	Savings & Loans	Credit Unions	Total
1995	\$ 1,595,736	\$ 248,823	\$ 265,742	\$ 2,110,101
1996	1,667,680	231,023	272,062	2,170,765
1997	1,687,794	213,232	285,517	2,186,543
1998	1,709,550	199,631	251,493	2,160,674
1999	1,749,153	205,497	361,260	2,315,910
2000	1,687,103	201,559	365,564	2,254,226
2001	1,675,724	204,657	413,600	2,293,981
2002	1,740,019	81,884	460,345	2,282,248
2003	2,155,684	64,118	176,305	2,396,107
2004	2,173,735	319,689	180,715	2,674,139

Note:

(1) The deposit information is from F.D.I.C. data contained in Sheshunoff: The Branches of Michigan; 2004 Banks, Savings and Loans, Credit Unions & Savings Banks.

City Of Southfield, Michigan

Construction And Property Value Last Ten Calendar Years

Annual Construction By Category

Calendar Year	Commercial & Industrial		Multi-Family		Single Family	
	Number Of Units	Value	Number Of Units	Value	Number Of Units	Value
1996	12	\$ 28,709,000	1	\$ 285,130	52	\$ 5,011,831
1997	14	24,474,189	7	3,067,213	71	7,923,954
1998	16	21,114,531	7	13,983,121	86	9,315,118
1999	19	33,246,905	7	3,541,000	64	7,352,721
2000	10	26,149,331	16	6,957,850	64	8,886,653
2001	22	72,066,172	16	6,319,025	38	5,129,541
2002	16	27,292,518	17	8,574,664	53	7,892,462
2003	13	26,300,486	7	4,695,068	79	15,530,225
2004	8	16,210,000	8	2,957,145	69	11,613,829
2005	12	27,060,063	0	0	71	10,531,501

Property S.E.V. By Category

	Commercial		Industrial		Residential	
1996	\$ 1,043,515,800		\$ 40,410,160		\$ 950,538,179	
1997	1,099,749,470		41,967,890		1,031,149,606	
1998	1,357,858,040		42,187,340		1,126,646,830	
1999	1,393,435,480		43,139,320		1,246,109,650	
2000	1,546,801,740		52,091,540		1,356,251,860	
2001	1,603,662,800		55,278,190		1,500,071,440	
2002	1,721,234,450		58,111,090		1,637,374,540	
2003	1,773,624,540		60,869,190		1,748,942,310	
2004	1,807,791,760		64,334,500		1,855,315,100	
2005	1,801,405,640		64,725,410		1,934,412,027	

City Of Southfield, Michigan

Economic and Statistical History June 30, 2005

AREA

26.7 square miles (since incorporation)

POPULATION

U.S. CENSUS Age Distrib.	1980 Number	%	1990 Number	%	2000 Number	%
24 and under	24,701	32.7%	22,101	29.2%	23,089	29.5%
25 through 64	39,775	52.6	40,777	53.8	43,319	55.3
65 and older	11,092	14.7	12,850	17.0	11,888	15.2
Total Persons	75,568	100.0%	75,728	100.0%	78,296	100.0%
Income Distrib.	Number	%	Number	%	Number	%
\$ 5,000 and under	1,652	5.6%	1,097	3.4%		
5,000 - 9,999	2,543	8.6	1,774	5.5	2,242	6.6%
10,000 - 14,999	3,038	10.2	1,951	6.1	1,412	4.2
15,000 - 24,999	6,634	22.4	3,988	12.4	3,495	10.3
25,000 and over	15,798	53.2	23,331	72.6	26,822	78.9
Total Households	29,665	100.0%	32,141	100.0%	33,971	100.0%

BUILDING CONSTRUCTION

Year	Permits	Value	Year	Permits	Value
1996	1,492	59,412,972	2001	1,460	129,443,898
1997	1,632	90,639,649	2002	1,461	99,472,942
1998	1,215	98,718,600	2003	1,231	109,138,521
1999	1,571	102,308,381	2004	1,368	78,239,744
2000	1,627	95,642,461	2005	1,263	78,239,744

Economic and Statistical History (cont.)

WATER & SEWER SERVICES

Users/Consumers: 18,294 Water and Sewer combined; 161 Sewer only.
 Use & Consumption: 612,202,500 cubic feet purchased
 System Capacity: 34 million gallons per day (MGD)
 Distribution System: Southeastern Oakland County Water Authority consisting of 11 communities. Ten are active with their own systems.
 Water Mains: 354.80 miles
 Fire Hydrants: 3,570
 Sewer Mains: 205.19 miles sanitary; 61.38 miles storm; 39.93 miles combined.

PRINCIPAL TAXPAYERS (2004 Tax Roll)

	Taxable Valuation	
1 BRE Southfield	\$117,897,920	3.5%
2 Forbes - Cohen/Nemer Associates	52,147,650	1.5
3 Detroit Edison	44,365,970	1.3
4 TTERTT Associates, LLC	43,058,040	1.3
5 Liberty Properties	34,529,660	1.0
6 New Par/Verizon Wireless	33,399,200	1.0
7 Allied Phase One Venture	31,134,980	0.9
8 Hartman & Tyner Incorporated	30,646,480	0.9
9 American Center Acquisition	27,042,920	0.8
10 Ramco - Gershenson Incorporated	26,899,570	0.8
11 SBC Communication	26,600,180	0.8
12 Nippondenso Sales Incorporated	24,692,540	0.7
13 Lear Corporation	22,478,680	0.7
14 Franklin Park Towers	20,108,490	0.6
15 Teachers Michigan Properties Inc	20,083,890	0.6
16 Wilmington Trust Company	19,557,030	0.6
17 GP Northland Center	17,184,870	0.5
18 Rosin & Rosin	17,087,600	0.5
19 SLT Southfield	16,942,110	0.5
20 Sutton Place Associates	15,291,470	0.4
SUB-TOTAL	641,149,250	18.9
All Other Taxpayers	2,745,598,750	81.1
TOTAL ASSESSED VALUE	\$3,386,748,000	100.0%

Economic and Statistical History (cont.)

STREET FACILITIES

Streets: Total 245.73 miles, with 64.71 miles on the Major Street System and 180.02 miles on the Local Street System. Less than 5 miles remain unpaved.
Alleys: Total under five miles.
Sidewalks: Total 201.29 miles including ten miles of paved bike paths.
Street Lights: Total 1,720.

PUBLIC SAFETY

Public Safety is organized for efficiency into three areas of overall administration and communications (PSA), police and fire.

Vehicles	P.S.A.	Police	1 st Line/ Fire Reserve
Cars	2	96	7/0
Trucks	0	1	10/2
Life Support	0	0	4/1
Vans, 4WD, etc.	0	20	9/0
Total	2	117	30/3

Facilities: One main Public Safety Building housing Police, Civilian Support Services and Emergency Management, as well as a 36-cell detention facility operated by the Oakland County Sheriff's Department.

POLICE PROTECTION

Please note that the Southfield Police Department now uses the new Michigan Incident Crime Reporting System (MICR).

Under this system Group A Offenses: (serious incidents, which carry maximum penalty under the law) has replaced what used to be known as Part I crimes. Group B offenses contain the less serious, yet still arrestable crimes which used to be known as Part II crimes.

Group A Offenses: (murder, manslaughter, rape, robbery, aggravated assault, breaking and entering, larceny, auto theft, arson, kidnapping/abduction, forgery, fraud, embezzlement, receiving and concealing stolen property, vandalism, weapons violations, commercialized sex, drug law violations, gambling).

Group B Offenses: (fraud, non-forcible sexual, non-violent family, drunk driving, liquor law violations, obstruction, disorderly conduct, arrestable traffic).

Law Violations: Group A Offenses - 8,400
Group B Offenses - 1,486

Traffic Violations: 23,874

Incidents Handled: 77,674

Economic and Statistical History (cont.)

FIRE PROTECTION

Alarms Answered: 11,070 runs
Medical Emergency: 9,361 runs

PARKS & RECREATION

The Parks and Recreation Department is responsible for 780 acres of park land and open space at 33 sites within the City. The recent acquisition of the Carpenter Lake and Berberian properties means that of the 780 acres, over 333 acres are dedicated nature preserves. The Department offers over 1,000 recreation programs at facilities which include 2 nine-hole golf courses, a lighted driving range, a 50-meter outdoor swimming pool, a senior adult center, an indoor athletic field house, an indoor ice arena and a neighborhood recreation center. There are numerous ball fields, tennis and handball courts, picnic areas and shelters. Soccer fields, play lots and sand volleyball courts are located throughout the City for residents' enjoyment.

The Department is also responsible for a number of historical properties including the Burgh Historical Park, the Miller Barn at Inglenook Park and the Mary Thompson Farmhouse. The Burgh Historical Park includes an outdoor gazebo and six historic buildings which bustle with activities, including concerts, weddings, and a variety of other family and community events. The Burgh's 1854 Methodist Church is home to the City's SRO Productions civic theater company, now in its fifteenth season. The Mary Thompson Farmhouse was restored as a museum and is home to the Southfield Historical Society. The Senior Gardens at the Mary Thompson Farm provide plots to over 100 enthusiastic gardeners who offer tours to school and scouting groups. The Senior Gardens have been recognized as one of the best community gardens in the nation by the John Deere Company and have received numerous awards from the Michigan State Fair.

The Department offers many programs for disabled athletes including the Miracle League, a baseball program for disabled youth, and the Jr. Thunderbirds Wheelchair Basketball Program. Golf programs have been expanded to include youth programs such as Michigan First Tee and Midnight Golf, along with the PGA sponsored GAIN program for disabled golfers.

In addition to day-to-day programming for all Southfield residents, the Parks and Recreation Department is also focused when it comes to special events, including the Star Spangled Southfield fireworks event and the Southfield Smooth Jazz Fest. Quality entertainment is offered year-round with a variety of concert series including the popular free outdoor concerts held throughout the summer at the Burgh Gazebo and Eat to the Beat noontime series at City Centre. The Department has received many national awards for excellence in recreational programming, as well as for beautification and environmental maintenance and programming.

LIBRARY

The municipal library, located at the Southfield Civic Center, is one of Michigan's busiest. More than 2,800 patrons per day utilize the Library's main facility. The Library maintains a book collection in excess of 240,000 volumes, with more than 6,900 video cassettes and 2,900 DVDs available. The Library also makes available compact discs, audio cassettes, and a computer network. Southfield's reference collection is one of the most

Economic and Statistical History (cont.)

LIBRARY (cont.)

sophisticated in Michigan with an internationally linked computer business reference service to assist the community's large business population.

While continuing to provide excellent service to its corporate and residential citizens through traditional library services, the Southfield Public Library takes advantage of state of the art computer technology to make information available to our residents and businesses. We provide access to the Internet, a worldwide computer network. Through this system our patrons have available information covering such disciplines as business, finance, technology, science, humanities, public affairs, the arts, and general news.

We provide several CD-ROM products, including Infotrac, World Book Encyclopedia, Phone Disk, and Wilson Business Abstracts. This wealth of computerized information is available on the Library's 200 public work stations as well as at home, business, or school through our dial-in Access service.

The library also provides access to satellite down linking of programs conducted throughout the world. These are available in either our large meeting room (capacity 230) or our auditorium (capacity 170).

We also offer 16 group study rooms for students or business people and a large quiet study room.

The Southfield Public Library provides a full range of programs to meet the needs of residents and businesses. Programs include such areas as Preschool Story Time, Opera Series, Super Science Saturdays, Battle of the Books, several literary and poetry series, as well as consumer-oriented information and health topics.

On March 9, 1999, the voters of Southfield approved a mileage increase to a new limit of 2.2 mills to construct and operate a new Southfield Public Library. The new facility opened in June, 2003.

City Of Southfield, Michigan

History of Constitutional Tax Rate Rollback Factors Required Under Proposal E (The "Headlee" Amendment) Ratified November 7, 1978

Fiscal Year Ending June 30	Preceding Year's TAV	Losses	X CPI	TAV Ceiling	Actual TAV	New TAV	Adjusted TAV	Ratio (1)	Rollback Factor (2)
1996 \$	2,295,330,750	\$ 76,525,225	1.026	\$ 2,276,494,469	\$ 2,338,972,710	\$ 80,462,120	\$ 2,258,510,590	1.0080	0.9938
1997	2,338,972,710	73,187,580	1.028	2,329,227,114	2,425,365,701	100,213,910	2,325,151,791	1.0018	0.9938
1998	2,425,365,701	77,238,690	1.028	2,413,874,567	2,514,270,106	111,865,000	2,402,605,106	1.0047	0.9938
1999	2,514,270,106	59,865,637	1.027	2,520,673,390	2,707,984,479	167,080,300	2,540,884,179	0.9920	0.9858
2000	2,707,984,479	124,212,523	1.016	2,625,091,987	2,825,989,180	173,090,804	2,652,898,376	0.9895	0.9754
2001	2,825,989,180	137,447,971	1.019	2,739,623,492	2,929,875,361	114,894,355	2,814,981,006	0.9732	0.9492
2002	2,929,875,361	132,984,677	1.032	2,888,391,186	3,078,615,673	176,560,727	2,902,054,946	0.9946	0.9440
2003	3,078,615,673	116,702,592	1.032	3,058,694,300	3,230,941,830	180,893,047	3,050,048,783	1.0022	0.9440
2004	3,230,941,830	137,098,147	1.015	3,140,251,338	3,268,025,510	169,450,040	3,098,575,470	1.0135	0.9440
2005	3,268,025,510	102,696,868	1.023	3,238,131,201	3,366,748,000	197,099,758	3,189,648,242	1.0152	0.9440

Notes:

(1) Ratio of TAV ceiling to adjusted TAV.

(2) The rollback factor is intended to provide local taxing units with a tax revenue ceiling, equal to 1978 authorized millage rates times 1978 assessments increased only by the official Consumer Price Index (CPI) index plus new construction. Any excess property tax authority above this ceiling is "rolled back" through application of a millage reduction fraction. The 1978 base millage reduction fraction was 1.000, which becomes the upper limit for future factors. As a compound millage reduction factor, the factor for one year is the product of the rollback factor of the previous year multiplied by the ratio of inflated taxable assessed value (TAV) divided by adjusted TAV of the current year. The inflated TAV for any year is calculated by multiplying the TAV of the previous year by the consumer price index for that year. This is compared to the adjusted TAV or the actual TAV for that year less net new construction (additions minus losses).

City Of Southfield, Michigan

General Fund Balance Compared To Annual Expenditures Last Ten Fiscal Years

Fiscal Year Ending June 30	Undesignated Fund Balance	Annual Expenditures	Balance As Percent Of Expenditures	
1996	\$ 5,650,844	\$ 47,368,802	11.9	%
1997	5,898,453	46,622,314	12.7	
1998	5,824,044	51,212,712	11.4	
1999	6,723,665	50,938,783	13.2	
2000	7,246,646	52,605,432	13.8	
2001	7,316,869	54,206,915	13.5	
2002	7,545,390	55,256,370	13.7	
2003	3,841,110	58,064,585	06.6	
2004	2,972,962	61,147,556	04.9	
2005	5,711,531	61,159,478	09.3	

City of Southfield, Michigan

Authorized Positions (FTE's)

1996-97 / 2004-05

Department	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05
Accounting	9.00	9.00	9.00	9.00	9.00	9.00	9.00	8.40	8.40
Administration	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.00
Assessing	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.15	11.15
Building	19.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00	21.00
Cable TV	7.00	7.00	7.00	7.00	8.00	8.00	8.00	7.00	7.00
Central Services	5.00	4.00	4.00	4.00	4.00	4.00	6.00	6.00	6.00
City Clerk	9.50	9.50	9.50	9.50	11.00	11.00	11.00	11.00	11.00
City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Civilian Operations/Commun. ⁽¹⁾	57.89	57.89	49.89	25.00	25.00	25.00	25.00	25.00	25.00
Community Develop. Admin. ⁽²⁾⁽³⁾	13.50	13.50	13.50	12.50	16.50	16.50	16.50	14.00	15.00
Community Relations ⁽²⁾	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
District Court	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
Emergency Management ⁽⁴⁾	-	-	-	-	1.00	1.00	1.00	1.00	1.00
Engineering	10.00	10.00	9.00	10.00	10.00	10.00	11.00	10.00	11.00
Facilities Maintenance	36.76	36.76	36.76	40.26	39.26	39.26	39.26	44.26	44.26
Financial Services/OMB	4.00	4.00	4.00	5.00	5.00	5.00	3.00	3.00	3.00
Fire ⁽¹⁾	106.00	106.00	110.00	113.00	114.00	114.00	114.00	114.00	114.00
Human Resources ⁽⁵⁾⁽⁶⁾	9.00	9.00	9.00	9.50	17.75	17.75	17.75	18.75	11.00
Human Services	7.00	7.00	7.00	6.50	6.50	6.50	5.50	5.50	5.50
Labor Relations	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Legal	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Library	39.00	39.00	39.00	39.00	40.50	40.50	40.50	64.50	64.50
Mayor	2.00	2.00	2.00	2.50	2.50	2.50	2.50	2.50	2.50
Motor Pool	14.00	15.00	15.00	15.00	14.00	14.00	14.00	14.00	14.00
Parks And Recreation	112.27	112.27	112.27	112.27	112.27	112.27	112.27	110.27	101.80
Planning	6.00	6.00	8.00	8.00	8.00	8.00	7.00	7.00	7.00
Police ⁽¹⁾⁽⁷⁾	157.00	157.00	161.00	181.89	185.89	186.89	186.89	186.89	186.89
Public Works Admin.	7.50	7.50	8.50	8.50	8.50	8.50	7.50	7.00	7.00
Purchasing	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Retirement Administration ⁽⁸⁾	-	-	-	-	-	-	-	1.00	1.00
Streets And Highways	29.62	29.62	28.62	28.62	31.62	31.62	31.62	31.62	31.62
Support Services	-	-	-	-	-	-	-	-	-
Technology Services ⁽⁹⁾	9.50	10.50	10.50	10.50	10.50	10.50	11.50	11.50	11.50
Transportation	6.76	5.76	5.76	5.76	5.76	5.76	5.76	4.76	4.76
Treasurer	9.00	9.00	9.00	10.00	10.00	10.00	10.00	8.60	8.60
Water And Sewer	28.08	28.08	29.08	29.08	31.08	32.08	32.08	31.08	31.08
Totals	797.88	799.88	801.88	806.88	832.13	834.13	833.13	851.78	837.56

Notes:

- ⁽¹⁾ Effective July 1, 1999, department title was changed from Civilian Support Services to Civilian Operations/Communications and personnel/divisions decentralized to Police and Fire Departments' budgets.
- ⁽²⁾ In 1996-97, the Code Enforcement and Housing functions of the Community Relations Department were transferred to the Community Development Administration Department.
- ⁽³⁾ Four contractual grants administration positions were recognized as career positions in 2000-01.
- ⁽⁴⁾ New Department in 2000-01. Function was previously a part of the Police Department.
- ⁽⁵⁾ Effective July 1, 1998, department title was changed from Personnel to Human Resources.
- ⁽⁶⁾ Eight contractual daycare positions were recognized as career positions in 2000-01. In 2004-05, those eight positions were eliminated upon the closing of the daycare.
- ⁽⁷⁾ Three grants funded police officer positions were recognized as permanent career positions in 2000-01.
- ⁽⁸⁾ New Department in 2003-04.
- ⁽⁹⁾ Effective July 1, 2003, department title was changed from Information Services to Technology Services.

City Of Southfield, Michigan

Insurance Coverage

June 30, 2005

POLICY/CARRIER/COVERAGE (1)

I. General Liability Coverage - Michigan Municipal Risk Management Authority (MMRMA)

- A. \$15 million each occurrence bodily injury, personal injury, property damage, public officials and law enforcement liability, and statutory Michigan "no fault" on owned automobiles.
- B. The MMRMA program is approved and regulated by the Michigan Insurance Bureau. It was established in 1982 under Michigan Public Act 138.

II. Property & Other - Michigan Municipal Risk Management Authority, and various other carriers

- A. Property: \$132.7 million virtual all-risk protection on real and personal property. Coverage for public employee faithful performance, valuable papers/records, and extra expense/loss of earnings also are provided.
- B. Other: Various specific purpose bonds, special events policies, fiduciary liability, and other coverage are provided to meet the operating needs of the City while protecting its financial interests.

III. Workers' Compensation - Great American Insurance Companies (2)

- A. Michigan statutory benefits.
- B. \$100,000 employer's liability protection.

Notes:

- (1) Coverage description is general and subject to change. No attempt has been made to reflect deductible provisions or overlapping coverage or interrelationships. Only the formal policies can do this. The insurance coverages outlined are part of an overall risk management strategy outlined on page 76.
- (2) Great American Insurance Company's financial strength profile is rated A (excellent) by Best's Insurance Reports, and the origin of the company dates back to the year 1872.

City of Southfield, Michigan
Management Group (Exempt) Personnel
Salary Schedule July, 2004

<p>Grade E - U, \$91,868 - \$124,293 Deputy City Administrator</p>
<p>Grade E - T, \$86,119 - \$116,516</p>
<p>Grade E - S, \$82,218 - \$111,241 Director of Public Works</p>
<p>Grade E - R, \$76,666 - \$103,725 Director of City Planning and Business Resource Development Director of Community Relations Director of Financial Services Director of Parks and Recreation Fire Chief Police Chief</p>
<p>Grade E - Q, \$72,833 - \$98,540 City Librarian Deputy City Treasurer/Deputy Director of Financial Services Director of Technology Services</p>
<p>Grade E - P, \$69,518 - \$94,053 Attorney IV City Assessor Director of Human Resources</p>
<p>Grade E - O, \$63,355 - \$85,715 Director of Human Services</p>
<p>Grade E - N, \$57,944 - \$78,396 Attorney III Deputy City Assessor Deputy City Clerk Deputy City Librarian Deputy City Planner Director of Labor Relations Purchasing Agent Retirement Plan Administrator</p>
<p>Grade E - M, \$53,287 - \$72,095 Attorney II</p>
<p>Grade E - L, \$49,178 - \$66,536 Attorney I</p>